



# **CLEAN SEAS SEAFOOD LIMITED**

**ABN 61 094 380 435**

## **Notice of 2020 Annual General Meeting**

Tuesday, 20 October 2020 at 3:30pm (Adelaide time) / 4:00pm (Melbourne time)

**THIS IS AN IMPORTANT DOCUMENT. PLEASE READ IT  
CAREFULLY.**

# **NOTICE OF 2020 ANNUAL GENERAL MEETING**

Notice is hereby given that the 2020 Annual General Meeting of Shareholders of Clean Seas Seafood Limited (**Company**) will be held as a virtual Meeting as follows:

**Time:** 3:30pm (Adelaide time) / 4:00pm (Melbourne time)

**Date:** Tuesday, 20 October 2020

**Access:** <https://web.lumiagm.com> and Meeting ID: 366-415-419

## **Important notes regarding participation in virtual AGM**

In response to Government restrictions and the potential health risks arising from COVID-19, the Company's Meeting will be held online this year. There will not be a physical meeting but shareholders and proxyholders can participate in the Meeting through an online platform that will allow them to view the Meeting, ask questions and vote in real time.

Information on how to participate online is set out in this Notice of Meeting and the Online User Guide. The Guide will be lodged with the ASX and posted on the Company's website at <http://www.cleanseas.com.au/investors/asx-releases>.

If you are unable to attend the Meeting online, you may appoint a proxy to attend and vote on your behalf, either by accessing the share registry's website at <https://www.votingonline.com.au/cleanseasagm2020>, or by following the instructions in the proxy form. Proxy appointments must be received by 3:30pm (Adelaide time) / 4:00pm (Melbourne time) on **Sunday, 18 October 2020**. Even if you plan to attend the Meeting online, we encourage you to submit a directed proxy vote so that your vote will be counted if for any reason you cannot attend on the day (for example, if there is an issue with your internet connection).

We also invite you to submit questions to the Company or auditor in advance of the Meeting. Questions must be received by no later than 5pm (Adelaide time) / 4:00pm (Melbourne time) on Tuesday, 13 October 2020. The Company will endeavour to address as many of the more frequently raised relevant questions as possible during the Meeting. However, there may not be sufficient time to address all questions raised. Please note that individual responses will not be sent to shareholders. Please submit any written questions to the Company to [rob.gratton@cleanseas.com.au](mailto:rob.gratton@cleanseas.com.au) or by e-mail to the share registry at [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au).

If it becomes necessary for the Company to give further updates about the Meeting, information will be lodged with the ASX and posted on the Company's website.

## ITEMS OF BUSINESS

### Financial Statements and Reports

To receive and consider the Financial Statements, Directors' Report and Independent Auditor's Report for the Company and its controlled entities for the year ended 30 June 2020.

#### 1. **Resolution 1: Adoption of Remuneration Report**

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

*"That the Remuneration Report for the financial year ended 30 June 2020 (as set out in the Directors' Report) be adopted."*

#### 2. **Resolution 2: Election of Gilbert Vergères as a Director**

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

*"That Gilbert Vergères who retires as a Director in accordance with rule 9 of the Constitution of the Company, ASX Listing Rule 14.4 and for all other purposes and, being eligible, is elected as a Director of the Company."*

#### 3. **Resolution 3: Re-election of Terry O'Brien as a Director**

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

*"That Terry O'Brien, being eligible, is re-elected as a Director of the Company."*

#### 4. **Resolution 4: Re-election of Nick Burrows as a Director**

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

*"That Nick Burrows, being eligible, is re-elected as a Director of the Company."*

#### 5. **Resolution 5: Re-election of Raelene Murphy as a Director**

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

*"That Raelene Murphy, being eligible, is re-elected as a Director of the Company."*

#### 6. **Resolution 6: Re-election of Marcus Stehr as a Director**

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

*"That Marcus Stehr, who retires as a Director in accordance with rule 6 of the Constitution of the Company, ASX Listing Rule 14.4 and for all other purposes and, being eligible, is re-elected as a Director of the Company."*

#### 7. **Resolution 7: Approval of termination benefits for Mr David Head**

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

*"That approval is given for all purposes, including sections 200B and 200E of the Corporations Act 2001 (Cth), for the provision of benefits to Mr David Head by the Company and its Related Bodies Corporate, in connection with the termination of his employment with the Group on the terms set out in the explanatory notes."*

8. **Resolution 8: Approval of termination benefits under Equity Incentive Plan**

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

*“That approval is given for all purposes, including sections 200B and 200E of the Corporations Act 2001 (Cth), for the provision of benefits under the Equity Incentive Plan to any current or future holder of a managerial or executive office in the Company or a related body corporate, in connection with that person ceasing to hold that office, on the terms set out in the explanatory notes.”*

**Important:** If any shareholder is a current or potential holder of a managerial or executive office of the Company or a Related Body Corporate, and they wish to preserve the benefit of resolution 8 for themselves, then that shareholder and their associates should not vote on the resolution.

**Dated 18<sup>th</sup> September 2020**

By Order of the Board

A handwritten signature in black ink, appearing to read 'R Gratton', with a long horizontal flourish extending to the right.

Robert Gratton  
Joint Company Secretary

## **NOTES TO SHAREHOLDERS**

### **1. Explanatory Statement**

Additional information concerning the items of business is contained in the Explanatory Statement which accompanies this Notice of Annual General Meeting and which is incorporated in and comprises part of this Notice and should be read in conjunction with this Notice.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice and the Explanatory Statement.

### **2. Participating in virtual AGM**

Shareholders and proxyholders can watch, vote, make comments and ask questions during the Meeting:

- from their **computer**, by entering the URL into their browser: <https://web.lumiagm.com> and entering the Meeting ID 366-415-419 when prompted
- from their **mobile device**, by either entering the URL in their browser: <https://web.lumiagm.com> and entering the Meeting ID 366-415-419 when prompted **or** by using the Lumi AGM app, which is available from the Apple App Store or Google Play Store.

To participate in the Meeting online or through the Lumi AGM app, you will need:

- the **meeting ID**, which is 366-415-419;
- your **username**, which is the Voter Access Code (VAC) printed on your proxy form; and
- your **password**, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the user guide for their password details.

If you have been nominated as a proxy, please contact Boardroom on 1300 737 760 for further information about the details you will be required to have to login to the Meeting online.

Online registration for the Meeting will open at 2:30pm (Adelaide time) / 3.00pm (Melbourne time).

### **3. Eligibility to attend and vote at the Meeting**

The Company may specify a time at which a ‘snap-shot’ of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting. The Directors have determined that all Shares of the Company that are on issue as at 3.30pm (Adelaide time) / 4:00pm (Melbourne time) on **Sunday, 18 October 2020** shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

### **4. Voting exclusion statements**

#### **(a) Resolution 1 (Adoption of Remuneration Report)**

The Corporations Act restricts members of Key Management Personnel (as that expression is defined in the Glossary) of the Company and their Closely Related Parties (as that expression is defined in the Glossary) from voting in relation to Resolution 1 (Adoption of Remuneration Report) in certain circumstances.

The Company will disregard any votes cast on Resolution 1:

- (i) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report for the year ended 30 June 2020, or a Closely Related Party of such a member (regardless of the capacity in which the vote is cast); or

- (ii) as a proxy by a person who is a member of the Key Management Personnel on the date of the Meeting, or a Closely Related Party of such a member.

unless the vote is cast as proxy for a person entitled to vote on Resolution 1:

- (i) in accordance with a direction on the proxy form; or
- (ii) by the Chairman of the Meeting, in accordance with an express authorisation to exercise the proxy even though Resolution 1 is connected with the remuneration of members of Key Management Personnel.

**(b) Resolution 7 (Approval of termination benefits for Mr David Head)**

Mr Head and his associates are not permitted to vote on Resolution 7 (in any capacity).

Further, the Company will disregard any votes cast on Resolution 7 as a proxy by a person who is a member of Key Management Personnel at the date of the Meeting (other than Mr Head) or their Closely Related Parties (such as close family members and any controlled companies of those persons), regardless of the capacity in which the vote is cast. However, votes will not be disregarded if they are cast as a proxy for a person entitled to vote on Resolution 7:

- (i) in accordance with a direction on the proxy form; or
- (ii) by the Chairman of the Meeting pursuant to an express authorization to exercise the proxy even though Resolution 7 is connected with the remuneration of a member of the Company's Key Management Personnel.

**(c) Resolution 8 (Approval of termination benefits under Equity Incentive Plan)**

If any shareholder is a current or potential future holder of a managerial or executive office in the Company or a related body corporate and wishes to preserve the benefit of this resolution, that shareholder and their associates should not vote on Resolution 8 (in any capacity).

Further, the Company will disregard any votes cast on Resolution 8 as a proxy by a person who is a member of Key Management Personnel at the date of the Meeting or their Closely Related Parties (such as close family members and any controlled companies of those persons), regardless of the capacity in which the vote is cast.

However, votes will not be disregarded if they are cast as a proxy for a person entitled to vote on Resolution 8:

- (i) by a Non-executive Director of the Company in accordance with a direction on the proxy form; or
- (ii) by the Chairman of the Meeting pursuant to an express authorization to exercise the proxy even though Resolution 8 is connected with the remuneration of a member of the Company's Key Management Personnel.

**Note:** Non-executive Directors do not participate in the Equity Incentive Plan and will not rely on the benefit of shareholder approval given under Resolution 8.

**5. Technical difficulties**

Technical difficulties may arise during the Meeting. The Chairman has discretion as to whether and how the Meeting should proceed if a technical difficulty arises. In exercising his discretion, the Chairman will have regard to the number of shareholders impacted and the extent to which participation in the business of the Meeting is affected. Where he considers it appropriate, the Chairman may continue to hold the Meeting and transact business, including conducting a poll

and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy by 3:30pm (Adelaide time) / 4:00pm (Melbourne time) on **Sunday, 18 October 2020** even if they plan to attend the Meeting online.

## 6. **Voting by proxy**

If you are entitled to attend and vote at the Meeting, you have a right to appoint a person to attend and vote for you at the Meeting as your proxy. To appoint a proxy:

- **Online:** <https://www.votingonline.com.au/cleanseasagm2020>
- **By Mail:** Please request an Appointment of Proxy Form from Boardroom by calling 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia); or e-mailing [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au); and return it in accordance with the instructions set out on that form. A proxy need not be a Shareholder of the Company and may be an individual or a body corporate. A body corporate-appointed proxy may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.

A Shareholder entitled to cast two or more votes is entitled to appoint up to two proxies to attend the Meeting and vote and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chairman to exercise your proxy on Resolutions 1, 7 and 8 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chairman. If you appoint the Chairman as your proxy, you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 7 and 8 by marking the appropriate box for each resolution.

The Chairman intends to vote all undirected proxies **in favour** of Resolutions 1-8.

## 7. **Lodging Your Proxy Form**

Any duly executed Appointment of Proxy Form (and the power of attorney (if any) under which it is signed or a certified copy thereof) must be received by one of the methods described below no later than 3:30pm (Adelaide time) / 4:00pm (Melbourne time) on **Sunday, 18 October 2020**.

**Any Appointment of Proxy Form received after that time will not be valid for the scheduled Annual General Meeting.**

**Proxies may be lodged as follows:**

<b>BY MAIL -</b>	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Australia
<b>BY FAX -</b>	+ 61 2 9290 9655
<b>IN PERSON -</b>	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Australia
<b>ONLINE -</b>	<a href="https://www.votingonline.com.au/cleanseasagm2020">https://www.votingonline.com.au/cleanseasagm2020</a>

## 7. **Corporate Shareholders**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority must be sent to the Company and/or its securities registry in advance of the Meeting by fax to +61 2 9290 9655, e-mail to [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au) or post to the address above.



# **EXPLANATORY STATEMENT TO NOTICE OF 2020 ANNUAL GENERAL MEETING OF CLEAN SEAS SEAFOOD LIMITED**

## **Introduction**

This Explanatory Statement sets out information in connection with the business to be considered at the 2020 Annual General Meeting of Shareholders of Clean Seas Seafood Limited to be held virtually on Tuesday, 20 October 2020 commencing at 3:30pm (Adelaide time) / 4:00pm (Melbourne time).

## **Financial Statements and Reports**

The Corporations Act requires:

- the reports of the Directors and auditor; and
- the annual financial report, including the financial statements of the Company for the year ended 30 June 2020,

to be laid before the Annual General Meeting. The Corporations Act does not require Shareholders to approve the reports or statements. Accordingly, no resolution will be put to Shareholders on this item of business.

The Company's 2020 Annual Report will be presented to the meeting. Shareholders can access a copy of the Company's 2020 Annual Report on the Company's website at <http://www.cleanseas.com.au/investors/asx-releases>.

As permitted by legislation, a printed copy of the Company's Annual Report has been sent only to those Shareholders who have elected to receive a printed copy.

Shareholders will be given a reasonable opportunity to raise questions or comments on the management of the Company.

Shareholders will also be given a reasonable opportunity to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

## **1. Resolution 1: Adoption of Remuneration Report**

### **1.1 General**

The Remuneration Report is in the Directors' Report section of the Company's Annual Report. Listed companies are required by section 250R(2) of the Corporations Act to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting.

The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company. However, the Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration when reviewing the Company's remuneration practices and policies.

At the 2019 Annual General Meeting, more than 25% of votes on this item were cast against the Remuneration Report, resulting in a 'second strike'. As a result of the 'second strike' a conditional spill resolution was then put to shareholders at the 2019 AGM. This resolution was not carried, with 80.5% of shareholder votes cast against. The Board continues to be mindful of shareholder feedback with regard to remuneration, and adopted a number of initiatives to further improve the alignment of remuneration with the creation of value for shareholders, particularly in the context of ongoing COVID-19 disruptions and the impact on Company performance. These initiatives include:

- Following Helen Sawczak's retirement as a Non-executive Director, the Board elected not to find a replacement, which reduced the number of Board members from 6 to 5;
- Reducing Board fees by 20% until further notice;
- Restructuring and reducing the Executive Team;
- Implementing salary freezes for the Executive Team;
- Granting shares instead of cash payments for certain Executive Team entitlements to preserve cash;
- Suspending the Company's LTI scheme until FY21; and
- Deferring consideration of activating the Company's STI scheme for FY21 until December 2020.

Resolution 1 is an ordinary, non-binding resolution.

The Board recommends that shareholders vote in favour of this resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

## 2. **Resolution 2: Election of Gilbert Vergères as a Director**

In accordance with ASX Listing Rule 14.4 and Rule 9 of the Company's Constitution, Gilbert Vergères retires as a Director of the Company effective at the conclusion of this Meeting and, being eligible, offers himself for election as a Director.

Mr Vergères was appointed to the Company Board on 3 March 2020. Mr Vergères is one of three Partners of Bonafide Wealth Management AG, who, through their Global Fish Fund is Clean Seas' largest shareholder. Based in Liechtenstein, Bonafide Wealth Management AG was established in 2008 to focus exclusively in the Fish & Seafood Sector and is today considered one of the pre-eminent global investors in aquaculture. Mr Vergères had a long career in Finance in Switzerland, where he worked at several Swiss private banks. In 1998, he started his own business operations and has been Managing Director and member of the Board of Directors at an asset management company before establishing the Bonafide Global Fish Fund with his two partners in 2012. Mr Vergères is located in Asia reflecting the Bonafide Funds focus on aquaculture investments in the Asia Pacific region.

The Company undertook appropriate checks into Mr Vergères' background and experience before appointing him as a Director. The Company confirms that these checks have not revealed any information of concern.

Resolution 2 is an ordinary resolution.

The Board (with Mr Vergères abstaining) recommends that Shareholders vote in favour of this resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.

## **Resolutions 3-6: Re-election of Directors**

Resolutions 3-6 relate to the re-election of Non-executive Directors.

In accordance with ASX Listing Rule 14.4 and Rule 6 of the Company's Constitution, Marcus Stehr retires by rotation as a Director of the Company effective at the conclusion of this Meeting and, being eligible, offers himself for re-election as a Director.

Terry O'Brien, Nick Burrows and Raelene Murphy are voluntarily seeking re-election for a three year term. Terry O'Brien was last re-elected at the 2019 AGM and therefore is not required to seek re-election until the 2022 AGM. Nick Burrows and Raelene Murphy were last re-elected at the 2018 AGM and therefore are not required to seek re-election until the 2021 AGM.

Given the current economic climate uncertainty, it is essential that the current Board is able to execute its forward strategic direction with the confidence of a refreshed shareholder mandate behind it. Accordingly the Board has determined that all Directors will seek re-election at this year's AGM.

The onset of COVID-19 has impacted and will continue to impact the Company. In addition to recent ASX Announcements, the Chairman's Report in the Company's 2020 Annual Report provides an overview of the Board's strategic response to date and the intended forward pathway.

In conjunction with a continued drive to effectively reposition and lower the Company's cost base, the planned entry into retail product distribution is expected to deliver long-term growth from new channels that will complement the Company's existing restaurant and premium food service business as these channels recover post COVID-19.

Resolutions 3-6 are ordinary resolutions.

The Board (with Mr O'Brien, Mr Burrows, Ms Murphy and Mr Stehr abstaining on their respective re-elections) recommend that Shareholders vote in favour of Resolutions 3-6.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 3-6.

3. **Resolution 3: Re-election of Terry O'Brien as Director**

Mr O'Brien was appointed to the Company Board on 3 February 2017 and was elected Chairman by the Board on 10 May 2017. He is also Chairman of the Remuneration and Nominations Committee and a member of the Audit and Risk Committee. Mr O'Brien was, from 2001 until 2017, the Managing Director of Simplot Australia Pty Limited, the US owned, but Australian centric, food processor and marketer. Amongst Simplot's stable of brands are John West, Birdseye, Leggo's, Edgell and Lean Cuisine. He was also the Chairman of the Australian Food and Grocery Council for five years to August 2017.

An accountant by training, Mr O'Brien was active in finance and management roles in the textile industry for ten years and in the food industry for over thirty years having spent approximately nine years at Cadbury Schweppes and twenty-four years at Simplot. At Simplot he was responsible for a number of divestments and acquisitions, which alongside organic growth saw Simplot sales increase nearly threefold during his tenure as Managing Director to become approximately 25% of the global JR Simplot agribusiness company. Mr O'Brien also holds the following positions:

- Chairman of Bundaberg Brewed Drinks Pty Ltd;
- Chairman of Kookaburra Sport Pty Ltd;
- Non-executive Director of Bega Cheese Ltd (ASX: BGA);
- Non-executive Director of Foodbank Australia; and
- Member of East Asia Review Commission (Advisory Board) of Societe d'Oxygene et d'Acetylene d'Extreme-Orient, a member of the Air Liquide Group.

Mr O'Brien is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

The Board consider Mr O'Brien to be an independent Director.

4. **Resolution 4: Re-election of Nick Burrows as Director**

Mr Burrows was appointed to the Company Board on 18 April 2012. He is also Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee. Mr Burrows is a respective Fellow of the Taxation Institute of Australia, Australian Institute of Company Directors, Chartered Accountants Australia and New Zealand, Governance Institute

of Australia Ltd and the Financial Services Institute of Australasia and is a Chartered Accountant and Registered Company Auditor. Mr Burrows was Chief Financial Officer and Company Secretary of Tassal Group Limited for 21 years from 1988 to 2009 and accordingly brings to the Board the benefits of an extensive and contemporary senior executive ASX200 aquaculture listed entity background. Mr Burrows' Directorship background encompasses a multi-sector portfolio of Chair, Non-Executive Directorship, Board Committee and Advisory Board positions spanning local and state government, not-for-profit and major private companies. Mr Burrows is currently:

- Non-executive Director of Genetic Technologies Ltd (ASX:GTG & NASDAQ: GENE);
- Non-executive Director of Tasmanian Water & Sewerage Corporation Pty Ltd;
- Non-executive Director of Australian Seafood Industries Pty Ltd; and
- Non-executive Director of PFG Group Pty Ltd & and MIC Pty Ltd.

Mr Burrows also has significant experience as an Audit and Risk Committee Chair across his multi-sector Board portfolio. Mr Burrows has had a long involvement with Governance Institute of Australia including serving as National President and serving on the Tasmanian Branch Council.

The Board consider Mr Burrows to be an independent Director.

**5. Resolution 5: Re-election of Raelene Murphy as Director**

Ms Murphy was appointed to the Company Board on 1 July 2018. She is also a member of the Audit and Risk Committee from 1 July 2018. Ms Murphy has over 35 years' experience in strategic, financial and operational leadership in both industry and professional advisory. Raelene specialised in operational and financial restructuring including merger and acquisition integration and was formerly a Managing Director at KordaMentha and a Partner in a national accounting firm. Her industry experience includes CEO of the Delta Group and senior executive roles in the Mars Group. Ms Murphy is currently a Non-executive Director of:

- Altium Limited (ASX: ALU);
- Bega Cheese Limited (ASX: BGA);
- Integral Diagnostics Limited (ASX: IDX); and
- Ross House Investments Pty Ltd (Stillwell Motor Group).

Ms Murphy was previously a Non-executive Director of Tassal Group Limited (ASX: TGR) and Service Stream Limited (ASX: SSM). Ms Murphy is a Fellow of Chartered Accountants Australia and New Zealand and a graduate of the Australian Institute of Company Directors.

The Board consider Ms Murphy to be an independent Director.

**6. Resolution 6: Re-election of Marcus Stehr as Director**

Mr Stehr was appointed to the Company Board on incorporation in September 2000. He is also a member of the Remuneration and Nominations Committee. Mr Stehr's technical qualifications include Master Class 4 Fishing/Trading Skippers certificates, MED 1 and Dive Master certificates. Commercial qualifications include business management courses spanning post graduate studies in Business and completion of the Company Director's Course. He is a Fellow of the Australian Institute of Company Directors. Mr. Stehr has more than 25 years hands on experience in marine finfish aquaculture operations encompassing Tuna, Kingfish and Mulloway. In addition to being Managing Director of Australian Tuna Fisheries Pty Ltd (a major shareholder in Clean Seas), Stehr Group Pty Ltd and Sanchez Tuna Pty Ltd, Mr Stehr makes a strong contribution to the Australian fishing and aquaculture industries as:

- Board member of the Australian Southern Bluefin Tuna Industry Association Ltd;

- Director of the Australian Maritime and Fisheries Academy (Australian Fisheries Academy Ltd);
- Industry member of Southern Bluefin Tuna Fishery Management Advisory Committee;
- Industry representative on the Southern Bluefin Tuna Management Advisory Committee; and
- Director of Seafood Industry Australia.

## 7. **Resolution 7: Approval of termination benefits for Mr David Head**

### **Who does this resolution apply to?**

Approval is being sought in respect of certain termination payments to Mr David Head in connection with his cessation of employment with the Group, as announced on 27 August 2020 and as updated on 14 September 2020. Mr Head will cease employment following the AGM on 20 October 2020.

### **Why is shareholder approval being sought?**

This item of business relates to Mr Head's unvested long term incentive (**LTI**) awards that were approved by shareholders at the 2018 and 2019 Annual General Meeting. The 2018 and 2019 Notice of Meeting stated that under the terms of the LTI award, all unvested rights would vest in certain 'good leaver' circumstances. Mr Head is ceasing employment with the Group as a 'good leaver'. Accordingly, shareholders are now asked to approve the vesting of all unvested rights for the purposes of the termination benefits provisions described below, in accordance with the 'good leaver' treatment approved by shareholders in 2018 and 2019.

The Corporations Act restricts the benefits that can be given to a person who holds 'managerial or executive office' on leaving employment or upon retirement with the Group. Under section 200B of the Corporations Act, a company may only give a person a 'benefit' in connection with their ceasing to hold a managerial or executive office in the company if it is approved by the members of the company or an exception under the Corporations Act applies.

Mr Head is a person holding managerial or executive office and is therefore captured by the termination benefits provisions in the Corporations Act.

Under the exceptions, the maximum value of the termination benefits that can be provided in connection with the person's retirement without shareholder approval cannot exceed the person's average annual base salary (calculated as set out in the Corporations Act and referred to as the 'statutory termination benefits cap'). The Company has determined that the statutory termination benefits cap applicable for Mr Head is approximately \$506,393.61.

Vesting of Mr Head's LTI awards as described below amounts to the giving of a termination benefit. When the value of these benefits are added to the value of all other termination benefits given to Mr Head on cessation of employment (such as payment in lieu of notice) it would exceed the statutory terminations benefit cap and therefore cannot be given unless shareholder approval is obtained.

Approval is being sought to allow vesting of the LTI awards whilst complying with the Corporations Act. If shareholder approval is obtained, the value of the LTI awards will be disregarded when calculating the statutory terminations benefits cap. If shareholder approval is not obtained, Mr Head will receive termination benefits up to the value permitted to be given under Part 2D.2 of the Corporations Act without shareholder approval.

### **What are the benefits for which shareholder approval is sought?**

Mr Head has LTI awards that are currently on foot. As at 20 October 2020, the following unvested rights are on foot:

- 471,113 rights – FY19 LTI award; and
- 518,120 rights – FY20 LTI award (the **LTI awards**).

As disclosed in the Company's prior Notices of Annual General Meeting and approved by shareholders, under the original terms of grant for the LTI awards, if Mr Head ceases employment with the Group as a 'good leaver' all of Mr Head's unvested rights will vest. This would constitute accelerated vesting of the rights and under the Corporations Act is considered a termination benefit and must be included in the calculation of the total termination benefits to be provided to Mr Head.

#### **What is the value of the benefits?**

The value of the LTI awards will be based on the market value of the LTI awards at the date of Mr Head's cessation.

The Company estimates that the value of LTI awards is \$584,736.00 being 989,233 rights multiplied by the volume weighted average price of the Company's shares over 10 trading days following the Company's results release on 28 August 2020 (which was \$0.5911). This is an estimate as the exact value of the LTI awards cannot be ascertained in advance.

On cessation of employment, Mr Head will also receive:

- his statutory entitlements (being accrued annual leave); and
- a payment in lieu of notice of \$399,750.00.

The statutory entitlements are an exempted benefit and do not count towards the termination benefits cap. The payment in lieu of notice is considered a termination benefit and when the value of this payment is combined with the estimated value of the LTI awards, the total amount of termination benefits will be in excess of the statutory termination benefits cap.

The Company is seeking approval to provide Mr Head with termination package that includes the LTI awards. If shareholder approval is obtained, the value of the LTI awards will be disregarded when calculating the terminations benefits cap.

The Board (with Mr Head abstaining) recommends that shareholders vote in favour of this resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 7.

### **8. Resolution 8: Approval of termination benefits under Equity Incentive Plan**

#### **Who does this resolution apply to?**

Approval is being sought in respect of any current or future person who holds or has held 'managerial or executive officer' (as defined in the Corporations Act) in the Company or a related body corporate, including:

- as a member of Key Management Personnel (as defined in the Corporations Act); or
- as a director of the Company or a subsidiary of the Company,

at the time of ceasing to hold that office or within the three years prior to their cessation (**Relevant Person**). This resolution relates to Relevant Persons other than Mr Head. The benefits proposed to be given to Mr Head are outlined in the notes for Resolution 7.

Other than as described in the explanatory notes to Resolution 7, it is not currently anticipated that a Relevant Person will be ceasing employment, but this approval is being sought so that the Company has the flexibility to provide the benefits described below if a Relevant Person leaves.

#### **Why is shareholder approval being sought?**

The Corporations Act restricts the benefits that can be given to a person who holds ‘managerial or executive office’ on leaving employment or upon retirement with the Group. Under section 200B of the Corporations Act, a company may only give a person a ‘benefit’ in connection with their ceasing to hold a managerial or executive office in the company if it is approved by the members of the company or an exception under the Corporations Act applies.

The purpose of this approval is to provide flexibility to the Company to allow benefits to be given to Relevant Persons in accordance with existing and future incentive awards made under the Equity Incentive Plan (**Plan**).

Shareholder approval does not guarantee that Relevant Persons will receive any termination benefits, but preserves the discretion of the Board to determine the most appropriate treatment in respect of incentive awards on cessation of employment, in accordance with the relevant terms of the award and having regard to the circumstances in which the Relevant Person ceases employment.

#### **What are the benefits for which shareholder approval is sought?**

Relevant Persons (other than Non-executive Directors) currently receive incentive awards in rights to receive fully paid ordinary shares in the Company (or an equivalent cash payment) under the Plan.

Where a Relevant Person leaves the Group before their rights have vested, the Plan Rules provide the Board with discretion to determine the treatment of the unvested rights.

For example, for existing LTI awards made under the Plan, the normal treatment is that if the Relevant Person ceases to be an employee of the Company before the end of the relevant vesting period:

- due to resignation or termination by the Company other than as below, all unvested Rights lapse;
- due to redundancy, retirement from the workforce, death or total and permanent disablement, all unvested Rights vest; and
- where cessation is not attributable to matters relating to fraud, material breach of obligations to the Group or material misstatement (i.e. ‘good leaver’), all unvested Rights vest.

Accordingly, the default treatment in “good leaver” circumstances is that all of the unvested rights will vest. This would constitute accelerated vesting of the rights and under the Corporations Act is considered a benefit for the purposes of termination benefit provisions.

In addition, the Board reserves a discretion to alter the default treatment for incentive awards under the Plan, for example to determine that some or all of the unvested rights vest or remain on foot, or that restricted shares will be released from trading restrictions early. The exercise of such discretion may also constitute a benefit for the purposes of the termination benefits provisions.

Accordingly shareholder approval is sought for any potential termination benefit that may arise from the acceleration or early vesting of equity or exercise of a discretion by the Board to vest, leave on foot, or release some or all of an incentive award under the Equity Incentive Plan.

If shareholder approval is obtained, the value of the approved benefits will be disregarded when calculating the termination benefits cap for a Relevant Person for the purposes of subsection 200F(2)(b) or 200G(1)(c) of the Corporations Act.

#### **What is the value of the benefits?**

The amount and value of the termination benefits for which the Company is seeking approval is the maximum potential benefit that could be provided under the Plan.

The amount and value of the termination benefits and entitlements that may be provided cannot be ascertained in advance as they will depend on a number of factors, including:

- the circumstances in which the Relevant Person ceases to hold office;
- the Relevant Person's length of service with the Group and the portion of any vesting period that has expired at the time they cease employment;
- the number of unvested rights held prior to cessation of employment and the number that the Board determines to vest, lapse or leave on foot;
- the Company's share price at the relevant time;
- any other factors that the Board determines is relevant when exercising discretion (e.g. its assessment of the person's performance over the period);
- the jurisdiction in which the Relevant Person is based at the time they cease employment, and the applicable laws in that jurisdiction; and
- any changes in laws, regulation or market practice between the date the Group enters into an employment agreement with the Relevant Person and the date they cease employment.

### **How long does the shareholder approval apply?**

If approval is obtained, it will be effective for a period of approximately three years from the date that the resolution is passed. That is, shareholder approval will be effective:

- in relation to any current or future equity granted under the Plan;
- in relation to any termination benefit paid or granted;
- if the Board (or its delegates) exercise discretions outlined above upon cessation; and/or
- if a Relevant Person ceases employment with the Group,

during the period commencing at the conclusion of the Company's 2020 Meeting and expiring at the conclusion of the Company's 2023 annual general meeting. If considered appropriate, the Board will seek a new approval from shareholders at the Company's annual general meeting in 2023.

It can be reasonably anticipated that aspects of incentive and equity arrangements will be amended from time to time in line with market practice and changing governance standards (including replacing existing awards or using a different form of equity). Where relevant, changes in relation to Key Management Personnel will be reported in the Company's remuneration reports. However, it is intended that this approval will remain valid for as long as these incentive and equity arrangements provide for a treatment on cessation of employment consistent with the treatment outlined above.

The Board recommends that shareholders vote in favour of this resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 8.

## **9. Glossary**

In this Explanatory Statement, unless the context otherwise requires:

**ASX** means ASX Limited ACN 008 624 691;

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

**Closely Related Party** of a member of the Key Management Personnel for an entity has the meaning given in the Corporations Act

**Company** means Clean Seas Seafood Limited ACN 094 380 435;

**Constitution** means the existing constitution of the Company;



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

**Directors** means the directors of the Company;

**Key Management Personnel** has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company);

**Listing Rules** means the official listing rules of ASX;

**Meeting** means the Annual General Meeting of Shareholders convened by the Notice;

**Notice** means the Notice of Annual General Meeting to which this Explanatory Statement is attached;

**Related party** has the meaning given to that term in section 228 of the Corporations Act;

**Share** means a fully paid ordinary share in the capital of the Company;

**Shareholder** means a holder of a Share;

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules; and

**VWAP** means the Volume Weighted Average Price of the Company's ASX-listed Shares trading under the code CSS.