

**SELECT HARVESTS LIMITED**

**ABN 87 000 721 380**

**NOTICE OF ANNUAL GENERAL MEETING**

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**NOTICE IS GIVEN** that the Annual General Meeting of Select Harvests Limited (the **Company**) will be held at 11.00am (Melbourne time) on Friday, 21 November 2014 at the RACV Club, 501 Bourke Street, Melbourne, Victoria.

**ORDINARY BUSINESS**

**Financial Statements and Reports**

To receive and consider the financial statements of the Company and its controlled entities for the financial year ended 30 June 2014 and the related Directors' Report and Auditors' Report.

**RESOLUTIONS**

**1. Remuneration Report**

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

To adopt the Remuneration Report for the financial year ended 30 June 2014, submitted as part of the Directors' Report for the financial year ended 30 June 2014, pursuant to sections 250R(2) and 250R(3) of the *Corporations Act 2001*.

Please note that the vote on this item is advisory only and does not bind the Directors of the Company or the Company.

**2. Election of Directors**

To consider and, if thought fit, to pass the following resolutions:

- (a) That Mr Michael Iwaniw, who retires in accordance with rule 63.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.
- (b) That Mr Paul Riordan, who retires in accordance with rule 63.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.

**3. Ratification of issue of securities**

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

That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the issue of 8,699,914 fully paid ordinary shares in the capital of the Company at \$5.35 each on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.

**4. Increase in maximum annual remuneration of Non-Executive Directors**

To consider and, if thought fit, to pass the following resolutions:

That for the purpose of ASX Listing Rule 10.17, and rule 66 of the Company's Constitution and for all other purposes, the maximum aggregate annual remuneration that may be paid by the Company as remuneration for the services of the Company's Non-Executive Directors be increased by \$100,000 from \$580,000 to \$680,000.

**5. Remuneration arrangements for the Managing Director**

**(a) Participation by the Managing Director in the Long Term Incentive Plan**

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

That approval be given for all purposes, including for the purpose of ASX Listing Rule 10.14, ASX Listing Rule 7.1 and Exception 9 in ASX Listing Rule 7.2, to the allocation of 225,000 Performance Rights by the Company to Paul Thompson (Managing Director) to acquire by way of issue a like number of shares, as part of the Company's Long Term Incentive Plan, on the terms of that Plan and as otherwise set out in the Explanatory Memorandum which accompany and form part of the Notice of this Meeting.

**(b) Approval of termination benefits for Managing Director**

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

That for the purposes of sections 200B and 200E of the *Corporations Act 2001* (Cth), approval is given for the granting of termination benefits to the Managing Director, Mr Paul Thompson, under the LTIP in connection with his retirement from a managerial or executive office in the Company or a related body corporate of the Company, details of which are set out in the Explanatory Memorandum accompanying and forming part of the Notice of this Meeting.

**By Order of the Board**



**Paul Chambers  
Company Secretary  
Melbourne  
20 October 2014**

## NOTES

### Proxies

1. A member is entitled to appoint not more than two proxies to attend and vote on behalf of such member. A proxy need not be a member of the Company and may be an individual or body corporate.
2. A body corporate appointed as a proxy will need to appoint a representative to exercise the powers that body corporate may exercise as the member's proxy at the Annual General Meeting, in accordance with section 250D of the *Corporations Act 2001* (Cth) (**Corporations Act**) and provide a "Certificate of Appointment of Representative" to the Company prior to the commencement of the Annual General Meeting. A form of the certificate may be obtained from the Company's Share Registry, Computershare Investor Services Pty Limited.
3. A member who appoints two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If the proportion or number of votes that each proxy may exercise is not specified then each proxy may exercise half of the votes (any fractions will be disregarded).
4. If the chairman of the meeting is appointed by a member as the member's proxy without a direction as to how to vote, then, subject to applicable voting restrictions, the chairman will vote in favour of all resolutions set out in this Notice of Annual General Meeting.
5. A proxy document or form is valid if it is signed by the member of the Company making the appointment and contains the member's address, the Company's name, the proxy's name or the name of the office held by the proxy and the meeting at which the appointment may be used and is received in accordance with notes 6 and 7 below.
6. For the appointment of a proxy, the Proxy Form enclosed with this Notice of Annual General Meeting may be used. In order for the appointment of a proxy to be valid, the proxy form must be received by the Company at least 48 hours prior to the commencement of the Annual General Meeting. If the proxy form is signed by the appointor's attorney, the authority (or certified copy of the authority) under which the appointment was signed must be received at least 48 hours prior to the commencement of the Annual General Meeting.
7. Duly-signed proxy forms (and, if applicable, authorities) must be received by the Company either:
  - (a) at the Registered Office of the Company:  
360 Settlement Road, Thomastown, Victoria, 3074; or
  - (b) at the Company's Share Registry:  
Computershare Investor Services Pty Limited,  
GPO Box 242  
Melbourne, Victoria, 3001; or
  - (c) by facsimile at either of the following fax numbers:  
03 9474 3588 (Company); or  
(Computershare Investor Services Pty Limited) on the following numbers:  
03 9473 2555 (overseas)  
1800 783 447 (within Australia); or

- (d) electronically at [www.investorvote.com.au](http://www.investorvote.com.au), by following the instructions provided.

In the case of joint holders of shares any one of such persons may vote at any meeting as if they were solely entitled to do so, but if more than one of such joint holders tenders a vote the vote of the first named of the joint holders in the Register of Members, whether tendered in person or by proxy or by attorney or in any other approved means, will be accepted to the exclusion of the votes of the other joint holders.

If a member is a corporation and wishes to appoint a proxy, the proxy form must be executed under its common seal or, in the absence of a common seal, must be signed by:

- (a) two Directors of the corporation; or
- (b) a Director and a Company Secretary of the corporation; or
- (c) if the corporation is a proprietary company that has a sole Director who is also the sole Company Secretary – that Director and Secretary; or
- (d) the corporation's appointed attorney under the power of attorney.

### **Shareholders Entitled to Vote**

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 7.00 p.m. (Melbourne time) on Wednesday, 19 November 2014.

### **Voting Exclusion Statements**

#### **Resolution 1**

The Company will disregard any votes cast on the proposed resolution for the adoption of the Remuneration Report (Resolution 1 in the Notice of Meeting) by or on behalf of

- a member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report ("**KMP**"); or
- a closely related party of a KMP,

whether the votes are cast as a shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast by a KMP or closely related party of a KMP if:

- the vote is cast as a proxy;
- the proxy:
  - is a person appointed by writing that specifies how the proxy is to vote on Resolution 1; or
  - is the chairman of the meeting and the appointment of the chairman as proxy:
    - does not specify the way the proxy is to vote on the resolution; and
    - expressly authorises the chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the company; and
- the vote is not cast on behalf of a KMP or a closely related party of a KMP.

If you are a KMP or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as described above), you may commit an offence by breaching the voting restrictions that apply to you under the Corporations Act.

A closely related party of a member of the Company's KMP means any of the following:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependant of the member or of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- a company the member controls.

The proxy form accompanying this Notice contains detailed instructions regarding how to complete the proxy form if a shareholder wishes to appoint the chairman as their proxy and to authorise the chairman to vote on the resolution to adopt the Remuneration Report. You should read those instructions carefully.

**If you are a member of KMP (other than the chair of the meeting acting as a proxy) or a closely related party of a member of KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.**

### **Resolution 3**

The Company will disregard any votes cast on Resolution 3 by a person who participated in the issue that is the subject of this Resolution and any associates of those persons.

However, the Company will not disregard a vote cast on this Resolution if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

### **Resolution 4**

The Company will disregard any votes cast on the proposed resolution for the adoption of Resolution 4 by or on behalf of:

- a member of the KMP; or
- a closely related party of a KMP.

However, the Company will not disregard a vote cast as a proxy on Resolution 4 if:

- either:
  - the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 4 and it is not cast on behalf of a KMP or a closely related party of a KMP; or
  - the proxy is the chair of the meeting and the chair's appointment expressly authorizes the chair to exercise the proxy even though the resolution is connected with the remuneration of a KMP.

**If you are a member of KMP (other than the chair of the meeting acting as a proxy) or a closely related party of a member of KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.**

Key management personnel and their closely related parties are as described above in the voting exclusion statement for Resolution 1.

#### **Resolutions 5(a) and (b)**

The Company will disregard any votes cast on Resolution 5(a) by or on behalf of:

- a member of the key management personnel of the Company, details of whose remuneration are included in the remuneration report for the year ended 30 June 2014 (**KMP**); or
- a closely related party of a KMP,

where the votes are cast as a proxy, and in addition the Company will disregard any votes cast on Resolution 5(a) by:

- a director of the Company (except one who is ineligible to participate in the Company's Long Term Incentive Plan); and
- the director's associates.

The Company will disregard any votes cast on Resolution 5(b) by or on behalf of:

- a member of the KMP; or
- a closely related party of a KMP,

where the votes are cast as a proxy, and in addition the Company will disregard any votes cast on Resolution 5(b) by:

- Mr Paul Thompson; and
- the associates of Mr Thompson.

However, the Company will not disregard a vote cast as a proxy on Resolution 5(a) or 5(b) if:

- either:
  - the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 5(a) or Resolution 5(b) and it is not cast on behalf of a KMP or a closely related party of a KMP; or
  - the proxy is the chair of the meeting and the chair's appointment expressly authorizes the chair to exercise the proxy even though the resolution is connected with the remuneration of a KMP; and
- it is not cast on behalf of:
  - in the case of Resolution 5(a), a director (except one who is ineligible to participate in the Company's Long Term Incentive Plan) or any associates of the director; or
  - in the case of Resolution 5(b), Mr Thompson or any of his associates.

**If you are a member of KMP (other than the chair of the meeting acting as a proxy) or a closely related party of a member of KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.**

Key management personnel and their closely related parties are as described above in the voting exclusion statement for Resolution 1.

## **EXPLANATORY MEMORANDUM**

These Explanatory Memorandum form part of the Notice of Annual General Meeting.

### **Financial Statements and Reports**

Pursuant to the Corporations Act, the Directors of a public company that is required to hold an Annual General Meeting must table the financial statements and reports of the Company for the previous year before the members at that Annual General Meeting.

Shareholders have been provided with all relevant information concerning the Company's financial statements in the Annual Report of the Company for the year ended 30 June 2014. A copy of the Annual Report has been forwarded or made available to each Shareholder. A copy of the financial statements and the associated reports will also be tabled at the Meeting.

Shareholders should note that the sole purpose of tabling the financial statements of the Company at the Annual General Meeting is to provide the shareholders with the opportunity to be able to ask questions or discuss matters arising from the financial statements at the Meeting. It is not the purpose of the meeting that the financial statements be accepted, rejected or modified in any way. Further, as it is not required by the Corporations Act, no resolution to adopt the Company's financial statements will be put to the shareholders at the meeting.

Shareholders will be allowed a reasonable opportunity to ask questions about, or make comments on, the management of the Company.

It is proposed that the Company's auditors will be present at the meeting. Shareholders present at the meeting will be allowed a reasonable opportunity to ask the auditors questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditors in relation to the conduct of the audit.

### **Resolution 1 - Remuneration Report**

Section 300A of the Corporations Act requires that the Directors' Report must contain a Remuneration Report containing prescribed information about the Board's policy for determining the nature and amount of the remuneration of Directors and senior management. The Remuneration Report must also explain the relationship between the remuneration policy of the Board and the Company's performance. The Remuneration Report is set out in pages 26 to 35 of the Company's 2014 Annual Report. The Corporations Act requires that the Remuneration Report be submitted to shareholders for adoption by a non-binding resolution.

Shareholders present in person or by proxy at the meeting will be allowed a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Remuneration Report contains information regarding such matters (among others) as:

- the Board's policy for determining the nature and levels of remuneration of the Company's senior management personnel;
- the relationship between the Board's remuneration policy and the Company's performance;

- prescribed information regarding each of the relevant senior management personnel, and each of the five Company executives named as the executives who were paid the highest remuneration in the financial year, including the amount of remuneration paid to those personnel; and
- where any element of the remuneration of a member of the senior management personnel depended on the satisfaction of a performance condition, a summary of that performance condition and an explanation of why it was adopted in relation to the relevant personnel.

The vote on Resolution 1 is advisory only and does not bind the Directors of the Company or the Company. However, under changes to the Corporations Act made in 2011, if at least 25% of the votes cast on the resolution are against adoption of the Remuneration Report at the meeting, then:

- if comments are made on the Remuneration Report at the AGM, the Company's remuneration report in respect of the financial year ending 30 June 2015 will be required to include an explanation of the Board's proposed action in response to those comments or, if no action is proposed, the reasons why; and
- if, at the Company's annual general meeting in 2015, at least 25% of the votes cast on the resolution for adoption of the remuneration report are against its adoption, the Company will be required to put to Shareholders a resolution proposing that a general meeting (**Spill Meeting**) be held within 90 days to consider the election of directors of the Company (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the 2015 annual general meeting. If more than 50% of the votes cast on the Spill Resolution are in favour of the Spill Resolution, the Spill Resolution will be passed and all of the directors in office at the 2015 annual general meeting (other than the managing director) will cease to hold office immediately before the end of the Spill Meeting, unless they are re-elected at the Spill Meeting.

The Remuneration Report forms part of the Directors' Report, contained in the Annual Report. Each of the Directors recommends the Remuneration Report to Shareholders for adoption.

## **Resolutions 2(a) and 2(b) – Election of Directors**

### **2(a) – Mr Michael Iwaniw (Chairman and Non-Executive Director)**

Pursuant to rule 63.1 of the Company's Constitution, at each Annual General Meeting, no Director, who is not the Managing Director, may hold office for a continuous period in excess of three years or until the third annual general meeting following the Director's appointment or election, whichever is the longer, without submitting for re-election. If no such director would be required to submit for re-election but the ASX Listing Rules require an election of Directors to be held, the Director to retire will be the Director who has been longest in office since their last election, but, as between persons who became Directors on the same day, the one to retire will (unless they otherwise agree among themselves) be determined by lot.

Accordingly, Mr Iwaniw will retire in accordance with the requirements of the Company's Constitution at the Annual General Meeting. As he is eligible for re-election, he seeks re-election as a Director of the Company at the Meeting.

Michael Iwaniw was appointed as Chairman of Select Harvests in November 2011 following a career spanning 40 years in Australian agribusiness. He became Managing Director of the Australian Barley Board (ABB) in 1989, retiring from the role some 20 years later. As Managing Director he led the transition from a statutory authority to a publicly listed company, growing the business into an ASX 100 company with a market capitalisation of A\$1.6 billion. Michael has acted as a Non Executive Director of a number of Companies. He is currently Chairman of Australian Grain Technologies and a Non Executive Director of Australian Grain Growers Cooperative. Michael is a member of the Remuneration and Nomination Committee.

The Board considers that Mr Iwaniw is an independent director.

The Board (other than Mr Iwaniw) unanimously recommends that shareholders vote in favour of the re-election of Mr Iwaniw.

## **2(b) – Mr Paul Riordan (Non-Executive Director)**

Pursuant to rule 63.1 of the Company's Constitution, at each Annual General Meeting, no Director, who is not the Managing Director, may hold office for a continuous period in excess of three years or until the third annual general meeting following the Director's appointment or election, whichever is the longer, without submitting for re-election. If no such director would be required to submit for re-election but the ASX Listing Rules require an election of Directors to be held, the Director to retire will be the Director who has been longest in office since their last election, but, as between persons who became Directors on the same day, the one to retire will (unless they otherwise agree among themselves) be determined by lot.

Accordingly, Mr Riordan will retire in accordance with the requirements of the Company's Constitution at the Annual General Meeting. As he is eligible for re-election, he seeks re-election as a Director of the Company at the Meeting.

Paul Riordan was appointed to the Board in October 2012. He has worked in various rural enterprises during his career, in Australia and the United States, including small seed production, large-scale sheep and grain organisations, and beef cattle. Paul is a cofounder and Executive Director (Operations) of Boundary Bend Olives, Australia's largest vertically integrated olive company. Paul has a Diploma of Farm Management from Marcus Oldham Agricultural College, Geelong and has extensive operational and business experience in vertically integrated agribusinesses, including in horticultural operations and risk management. He is a member of the Audit and Risk Committee.

The Board considers that Mr Riordan is an independent director.

The Board (other than Mr Riordan) unanimously recommends that shareholders vote in favour of the re-election of Mr Riordan.

## **Resolution 3 – Ratification of issue of securities**

ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval.

By obtaining ratification of shareholders under ASX Listing Rule 7.4 to the issue of the securities to the allottees, the Company will be entitled to treat the issue as having been made with approval for the purposes of ASX Listing Rule 7.1, and thereby preserve the Company's capacity to make future issues of securities up to the 15% threshold within 12 months.

On 27 August 2014, the Company announced that it had conducted an institutional placement or fully paid ordinary shares (**Shares**) to raise approximately \$46.5 million at a price per Shares of \$5.35, and on 30 September 2014 it announced that it had raised a further approximately \$19.7 million through the issue of shares under a share purchase plan, at the same issue price.

The Company seeks approval for the purposes of ASX Listing Rule 7.4 and for all other purposes, for ratification of the issue of 8,699,914 Shares in the capital of the Company at \$5.35. Shares issued under the share purchase plan do not reduce the Company's capacity to issue securities under Listing Rule 7.1 (pursuant to Exception 15 in Listing Rule 7.2).

Details of the Shares to which Resolution 3 relates are as follows:

Number of Shares:	8,699,914
Issue Price:	\$5.35 per Share
Securities:	Shares (being fully paid ordinary shares in the capital of the Company)
Investors:	Institutional investors invited by the Company's advisers to participate in the institutional placement of Shares announced on 27 August 2014.
Purpose:	Funds were raised for the purpose of acquisitions and for working capital.

The Board unanimously recommends that shareholders vote in favour of Resolution 3.

#### **Resolution 4 – Increase in maximum annual remuneration of Non-Executive Directors**

Shareholders last approved an increase in the maximum annual aggregate remuneration of Non-Executive Directors (**NED Remuneration Limit**) at the 2010 Annual General Meeting. At that meeting, a NED Remuneration Limit of \$580,000 was approved. Details of the total fees paid to Non-Executive Directors during the 2014 Financial Year are set out in the Company's Remuneration Report commencing on page 26 of the Annual Report. Shareholder approval is sought to increase the NED Remuneration Limit that may be paid by the Company as remuneration for the services of the Company's Non-executive Directors by \$100,000 from \$580,000 to \$680,000 per annum (inclusive of superannuation contributions). If approved, the increase will be divided between Non-Executive Directors as the Board determines and will take effect on and from the date of the Meeting. The proposed increase in the NED Remuneration Limit will provide the flexibility to change the composition of the Board as part of the ongoing Board renewal process and to adjust fees in the future in accordance with market benchmarks. The proposed increase in the NED Remuneration Limit does not impact on the remuneration arrangements of the Managing Director and Chief Executive Officer or any other executives. As Executive Directors of the Company, they do not receive separate directors' fees in addition to the remuneration packages they receive in their senior executive capacity.

The Company is seeking the approval for the increase in the NED Remuneration Limit pursuant to ASX Listing Rule 10.17, which requires the Company to obtain shareholder approval for any increase in the total amount of remuneration payable to Non-executive Directors.

As the Directors (other than Paul Thompson, who is an Executive Director) have an interest in the outcome of Resolution 4, they consider it would not be appropriate to make a recommendation to shareholders as to whether they should approve the Resolution.

#### **Resolutions 5(a) and 5(b) - Remuneration arrangements for the Managing Director**

##### **(a) Participation by the Managing Director in the Long Term Incentive Plan**

##### **Total Executive Reward**

The executive pay and reward framework for Mr Paul Thompson has three components:

- 1) Base pay and benefits (including superannuation);
- 2) Short term performance incentive – a reward opportunity dependent upon successful performance; and
- 3) Long term incentive – also, a performance-dependent reward opportunity.

Together, these three components form Mr Thompson's total remuneration opportunity. A summary of the key terms of the LTIP is set out below.

### **Grant to Mr Thompson**

Under ASX Listing Rule 10.14, no director can acquire securities under an employee incentive scheme without shareholder approval.

Resolution 5(a) is put to Shareholders for the purpose of approving the participation by Mr Thompson (Managing Director) in the LTIP.

The Company is seeking the approval of Shareholders in Resolution 5(a) to allocate to Mr Thompson up to 225,000 Performance Rights (which may vest in accordance with the criteria set out below), to acquire ordinary shares in the Company, as detailed below. Each Performance Right will constitute the right to acquire, for nil consideration, one (1) fully-paid ordinary share in the Company, if the Right becomes exercisable as described below. No amount is payable by Mr Thompson on either the grant or the exercise of a Performance Right.

If approved, the Performance Rights will be issued to Mr Thompson as soon as practical following Shareholder approval and expected by 30 November 2014.

<b>Tranches for Mr Thompson and other KMP</b>	<b>Performance Period (Inclusive)</b>
165,000 Performance Rights 75,000 to Mr Thompson 90,000 in aggregate to other KMP	1 July 2015 to 30 June 2018
165,000 Performance Rights 75,000 to Mr Thompson 90,000 in aggregate to other KMP	1 July 2016 to 30 June 2019
165,000 Performance Rights 75,000 to Mr Thompson 90,000 in aggregate to other KMP	1 July 2017 to 30 June 2020

Testing in respect of a Performance Period will be undertaken as soon as practical after the end of that Performance Period.

### **Justification and Reasonableness**

The Directors (excluding Mr Thompson) believe that the continued success of the Company will depend in large measure on the skills, motivation and leadership of Mr Thompson in overseeing the management of the Company's operations and strategy. The Directors (excluding Mr Thompson) have taken into account the nature of Mr Thompson's position, the function and purpose of the long term incentive component of the Company's remuneration strategy, benchmarking against the practices of its Australian peer companies and other relevant information provided by external remuneration consultants. The Directors (excluding Mr Thompson) consider that the grant of these Performance Rights is an appropriate form of incentive remuneration and is part of a reasonable total reward package (taking into account the Company's and Mr Thompson's respective circumstances).

## Performance Criteria – Total Shareholder Return Comparative Ranking and Earnings Per Share Growth

The ability of Mr Thompson to exercise the Performance Rights referred to above is subject to satisfaction of the performance criteria that is based on the Company's performance over the relevant Performance Periods and determined by reference to the following criteria:

- 1) Total Shareholder Return ("TSR") performance of the Company over the Performance Periods when compared with the TSR for each company in a group of peer companies.

The peer group of companies is based on the companies listed in the ASX Consumer Staples sector. A peer company continues to be included in the comparator group if it meets these criteria for the entire Performance Period.

In order for the TSR Performance Condition to be satisfied, the Company's absolute TSR performance over the applicable Performance Period must also be positive.

- 2) Absolute Earnings Per Share ("EPS") growth over the Performance Period.

In order for the EPS Performance Condition to commence being satisfied Compound Annual Growth in Earnings Per Share must reach 5% and to be fully satisfied must reach 20%.

## Measuring Performance and Connecting Reward

- 1) The Company's TSR performance ranking within the group of peer companies at the end of each Performance Period determines how many Performance Rights in each tranche may be exercised by Mr Thompson, as follows:

Performance Ranking Hurdle	Proportion of Tranche That Vests
At or above 75 <sup>th</sup> percentile	One-half (i.e. 50%)
51 <sup>st</sup> to 74 <sup>th</sup> percentile	Pro rata vesting
50 <sup>th</sup> percentile	One-quarter (i.e. 25%)
Below 50 <sup>th</sup> percentile	None (i.e. 0%)

- 2) The Company's EPS growth at the end of each Performance Period must at least reach the target set by the Board. The growth in EPS determines how many Performance Rights in each tranche may be exercised by Mr Thompson, as follows:

Compounded Annual Earnings Growth Hurdle	Proportion of Tranche That Vests
20% or higher per annum	One-half (i.e. 50%)
5.1% to 19.9% per annum	<i>Pro rata vesting</i>
5.0% per annum	One-quarter (i.e. 25%)
Below 5.0% per annum	None (i.e. 0%)

## **Exercise of Performance Rights**

Any Performance Right that vests may be exercised from the day following the last day of the relevant Performance Period or as soon as is practicable after the performance measurement calculation is made. Any Performance Rights in a tranche that do not vest (eg, because they do not satisfy applicable Performance Conditions) will lapse.

In the event of any capital reconstruction (such as a bonus issue or rights issue, demerger, share split or consolidation), the number of Performance Rights may be adjusted, at the discretion of the Board, in proportion to the impact of the capital reconstruction. Where the Company raises capital to fund growth initiatives, the Board does not expect any adjustments to be made, as such initiatives are expected to be value per Share accretive.

Shareholder approval for the grant of the Performance Rights is sought for the purposes of ASX Listing Rule 10.14 which provides that a Company must not permit a director to acquire securities under an employee incentive scheme without the approval of Shareholders, where that acquisition of securities is by way of an issue of new securities. Approval under Listing Rule 10.14 is an exception to the prohibition on a Company issuing shares to related parties under Listing Rule 10.11. Approval is also being sought pursuant to Listing Rule 7.1, and for the purpose of Exception 9 under Listing Rule 7.2, to ensure that these Performance Rights do not otherwise count towards the Company's 15 per cent capacity to issue securities within any 12 month period (thus preserving flexibility for the Company).

Subject to Shareholder approval, the Performance Rights will be granted on the terms and conditions set out in this Explanatory Memorandum.

## **Requirements of the ASX Listing Rules**

In accordance with the requirements of ASX Listing Rules 10.15 and 7.3, the following information is provided to Shareholders to allow them to assess the proposed grant of Performance Rights:

- a) Resolution 5(a) seeks approval for the issue of Performance Rights to Mr Thompson, the Company's Managing Director;
- b) If approval is granted for the proposed Performance Rights issue to Mr Thompson, then it is intended to make grants of smaller amounts of Performance Rights under identical performance conditions to selected executives under the Long-Term Incentive Plan (as described in this Resolution 5(a));
- c) The issue of Performance Rights to be made pursuant to the LTIP will be made on or around 30 November 2014. Since the last occasion on which an issue of Performance Rights was approved by Shareholders under the LTIP, in 2012, the following Performance Rights or Shares have been issued to Mr Paul Thompson:
  - a. 900,000 Performance Rights;
  - b. \$Nil issue price
- d) The maximum number of securities that may be issued pursuant to this Resolution over the three performance periods ending 30 June 2018, 2019 and 2020 respectively is 495,000 Performance Rights, including 225,000 Performance Rights for the Managing Director and an aggregate number of 270,000 Performance Rights to be issued to selected executives. If all of the performance hurdles applicable to Mr Thompson during those three years are achieved, and Mr Thompson seeks to exercise each of his Rights, he would receive the maximum of 225,000 fully paid ordinary shares in the Company by late 2020;
- e) The balance of up to 270,000 Performance Rights will be allocated to the other participants (including key management personnel) in the LTIP. The balance of up to 270,000 Performance Rights will be allocated to selected executives and senior management (including key management personnel), the retention and motivation of whom is considered to be vital in the Company's progress of its strategy, with individual allocations of up to 15,000 Performance Rights each year (per participant) to be made;

- f) No amount is payable by Mr Thompson to acquire the Performance Rights (other than the provision of services to the Company) or upon the exercise of a Performance Right (but the relevant performance criteria must first be satisfied before Performance Rights can be exercised);
- g) A voting exclusion statement is included in the Notice of Meeting (of which these notes form part);
- h) No loan is being made available to Mr Thompson by the Company in connection with this LTIP arrangement; and
- i) In the non-executive Directors' shared view, it is in the best interests of Shareholders to approve the share-based LTIP arrangement for the Company's Managing Director, Mr Thompson, because it will align appropriately his potential total remuneration with shareholder returns due to the challenging performance hurdles the Company must achieve for the LTIP components to become exercisable.

## **Key terms of the LTIP**

### **Entitlements that can be offered under the LTIP**

Subject to Shareholder approval, Select Harvests will make offers to Eligible Persons of Performance Rights, which are entitlements to receive shares in Select Harvests subject to the satisfaction of any performance conditions (**Entitlements**).

### **Eligible participants**

The Board may, in its absolute discretion, make offers from time to time to employees of Select Harvests and the Select Harvests group (including a director employed in an executive capacity) or any other person declared by the Board to be eligible (**Eligible Persons**). Eligible Persons who accept such offers will become participants in the LTIP (**Participants**).

### **Holding of Entitlements**

The Board imposes restrictions on dealing by a Participant with vested Performance Rights or Shares. The Board has determined that, in respect of the Performance Rights proposed to be issued pursuant to Resolution 5(a), the Participants may not dispose of more than 50% of their Shares issued on exercise of Performance Rights until the Participant's holding is equal to the Participant's fixed annual remuneration, or the Participant ceases employment with the Company. The Board may waive or vary any such restriction at its discretion, for example in the case of illness or other hardship.

### **Board discretion**

The Board may waive, amend or replace any performance measure in a Performance Condition attaching to a Performance Right if the Board determines that the original Performance Condition is no longer appropriate or applicable (or results in the interests of the Participant no longer being aligned with that of Shareholders) provided that the interests of the relevant Participant are not, in the opinion of the Board, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the grant.

The performance hurdles may be adjusted by the Board so that they fairly and reasonably reflect the effect of any reconstruction on the Company's growth targets.

The Board may also alter the terms of the LTIP following a share issue or capital reconstruction to ensure Participants are not unfairly diluted.

### **Cessation of a Participant's employment**

The Board has a discretion to determine that Entitlements either vest, lapse or are forfeited on cessation of a Participant's employment.

Entitlements will lapse or be forfeited where the Participant has acted fraudulently, dishonestly or in breach of his or her obligations to Select Harvests.

### **Change in control**

If a change of control event occurs, such as a successful takeover bid for the Company, a scheme of arrangement or other compromise, or a resolution is put to shareholders to propose a voluntary winding up of the Company or an order is sought for the compulsory winding up of the Company (**Change of Control Event**), the Board may determine that all or a specified number of a Participant's Performance Rights will vest, having regard to the performance criteria applicable to the grant of the Performance Rights (**Accelerated Vesting**).

If a Change of Control Event occurs and the Board does not make a determination that Performance Rights will vest or determines that some but not all of the Performance Rights granted to a Participant will vest, any Performance Rights that have not vested will lapse, unless the Board determines otherwise.

The Board (other than Mr Thompson) unanimously recommends that shareholders vote in favour of Resolution 5(a).

### **Resolution 5(b) – Approval of Termination Benefits for Managing Director**

Shareholder approval is being sought in Resolution 5(b) for the purposes of sections 200B and 200E of the Corporations Act for the termination benefits that may be given to Mr Thompson under rules of the LTIP providing for Accelerated Vesting of Performance Rights if a Change of Control Event occurs. As described above, if a Change of Control Event occurs, the Board may determine that all or a specified number of a Participant's Performance Rights will vest, having regard to the performance criteria applicable to the grant of the Performance Rights.

This Resolution *does not* seek approval for the granting or vesting of any additional Performance Rights to those described in Resolution 5(a) but only for the termination benefits comprised by the Accelerated Vesting of Performance Rights granted to Mr Thompson in accordance with the rules of the LTIP, in circumstances where Mr Thompson's office as Managing Director of the Company is terminated, or Mr Thompson retires from that office, in connection with the Change in Control.

The amount and value of the termination benefits for which approval is sought is the maximum number of Performance Rights that may vest in accordance with the rules of the LTIP. The details of the grant of Performance Rights are provided in the information relating to Resolution 5(a) above. The value of those Performance Rights cannot be ascertained as at the date of this Notice of Meeting and Explanatory Memorandum. This is because the value of those Performance Rights may be affected by various matters, events or circumstances affecting the value of the Company's shares, and the other matters arising under the LTIP and the grant of Performance Rights.

The Board (other than Mr Thompson) unanimously recommends that shareholders vote in favour of Resolution 5(b).