

TOX FREE SOLUTIONS LIMITED  
ABN 27 058 596 124



# NOTICE OF ANNUAL GENERAL MEETING

DATE OF MEETING  
28 November 2014

TIME OF MEETING  
10.30 am (WST)

PLACE OF MEETING  
Rendezvous Grand Hotel Scarborough  
The Esplanade, Scarborough, Perth WA  
Vincent Room

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Tox Free Solutions Limited (“**Company**”) will be held at 10.30 am (WST) on Friday 28 November 2014 at Rendezvous Grand Hotel Scarborough, Perth Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (Sydney time) on 26 November 2014.

An Explanatory Memorandum containing information in relation to each of the Resolutions to be put to the meeting accompanies this Notice.

## AGENDA

To consider and, if thought fit, to pass the following Resolutions.

## ORDINARY BUSINESS

### 2014 Accounts

To receive and consider the annual financial report, the Directors’ report and the Auditor’s report for the financial year ended 30 June 2014 and the Directors’ declaration on the accounts.

### Non-binding Ordinary Resolution 1: Directors’ Remuneration Report

To receive and consider the Directors’ Remuneration Report for the year ended 30 June 2014 and, if thought fit, to pass, with or without amendment, the following Resolution as a non-binding Resolution:

*“That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors’ Remuneration Report contained within the Directors’ Report for the financial year ended 30 June 2014 be adopted.”*

**Note 1:** the vote on this Resolution is advisory only and does not bind the Directors of the Company.

**Note 2:** If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a “spill resolution”) that another meeting be held within 90 days at which all of the Company’s Directors (other than the Managing Director) must stand for re-election. Less than 25% of shareholders voted against the remuneration report at the 2013 Annual General Meeting.

### Voting Prohibition Statement:

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member, (collectively, a “**Prohibited Voter**”).

However, a Prohibited Voter may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the Prohibited Voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

### Ordinary Resolution 2:

#### Re-Election of Richard Allen as a Director

To consider and, if thought fit, to pass, with or without amendment, as an ordinary Resolution:

*“That Richard Allen, who retires by rotation in accordance with rule 13.2 of the Company’s constitution, and being eligible, be re-elected as a Director.”*

### Ordinary Resolution 3:

#### Re-Election of Michael Humphris as a Director

To consider and, if thought fit, to pass, with or without amendment, as an ordinary Resolution:

*“That Michael Humphris, who retires by rotation in accordance with rule 13.2 of the Company’s constitution, and being eligible, be re-elected as a Director.”*

### Ordinary Resolution 4:

#### Issue of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary Resolution:

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Directors to grant 60,276 Performance Rights and 280,594 Share Appreciation Rights to Mr Stephen Gostlow and to allot and issue Shares on the vesting of the Performance Rights and Share Appreciation Rights in accordance with the terms of the Executive LTI Plan, as detailed in the Explanatory Memorandum.”*

### Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution 4 by Mr Gostlow and any of his associates.

However, the Company need not disregard a vote 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 proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



By order of the Board  
D M McARTHUR  
Company Secretary

Dated: 7 October 2014

# EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting (“**Notice**”) of the Company.

The Directors of the Company (“**Directors**”) recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

## FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report, the Directors’ report and the auditor’s report for the financial year ended 30 June 2014 and the Directors’ declaration on the accounts.

A copy of the Company’s 2014 Annual Report is available on the Company’s ASX platform (ASX: TOX) and on the website [www.toxfree.com.au](http://www.toxfree.com.au). Alternatively, a hard copy will be made available upon request.

## NON-BINDING ORDINARY RESOLUTION 1: Directors’ Remuneration Report

### General

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

The Remuneration Report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors’ report contained in the annual financial report of the Company for the financial year ending 30 June 2014.

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

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a “spill resolution”) that another meeting be held within 90 days at which all of the Company’s Directors (other than the Managing Director and CEO) must stand for re-election. Less than 25% of shareholders voted against the remuneration report at the 2013 Annual General Meeting.

### Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

#### (a) If you appoint a member of the Key Management Personnel (other than the Chair) as your proxy

If you elect to appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote.*** Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

#### (b) If you appoint any other person as your proxy

You ***do not*** need to direct your proxy how to vote.

### ORDINARY RESOLUTION 2:

#### Re-election of Richard Allen as a Director

Clause 13.2 of the Company’s Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Richard Allen retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr Allen is set out in the Company’s 2014 Annual Report.

### Recommendation

The directors (other than Mr Allen because of his interest in this Resolution) recommend that Shareholders vote in favour of Resolution 2.

### ORDINARY RESOLUTION 3:

#### Re-Election of Michael Humphris as a Director

Clause 13.2 of the Company’s Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Michael Humphris retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr Humphris is set out in the Company’s 2014 Annual Report.

### Recommendation

The directors (other than Mr Humphris because of his interest in this Resolution) recommend that Shareholders vote in favour of Resolution 3.

### ORDINARY RESOLUTION 4:

#### Issue of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow

Resolution 4 seeks approval to issue Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow under the Executive LTI Plan.

Mr Stephen Gostlow is the Managing Director of the Company.

The structure of Mr Gostlow’s remuneration package has been brought into line with market practice, whereby LTI forms a key component of his total annual remuneration. A significant portion of his total annual remuneration has been placed at-risk to better align his interests with those of Shareholders, to encourage the production of long-term sustainable growth, and to assist with retention.

# EXPLANATORY MEMORANDUM Continued

## Quantum

The appropriate LTI grant quantum to be issued to Mr Gostlow for the financial year ending 30 June 2015 (“**FY15**”) has been determined with reference to current market practice. For FY15, the dollar value of the LTI grant will be determined as 60% of Mr Gostlow’s FY15 base salary (ie. an LTI grant of \$300,000 in value). The LTI grant has increased from 50% of Mr Gostlow’s base salary in 2013 to 60% of his base salary in 2014 to bring total remuneration into line with that of peer companies. The Board’s preference is to make adjustments to total remuneration (which comprises base salary, STI and LTI components) by increasing the at risk long term component to create better alignment with long term shareholder value creation.

Half of the LTI grant to Mr Gostlow will be granted as Performance Rights and the other half will be granted as Share Appreciation Rights (ie. \$150,000 worth of Performance Rights and \$150,000 worth of Share Appreciation Rights).

## Allocation methodology and number of instruments

In determining the number of Performance Rights and Share Appreciation Rights to be granted, the LTI quantum is divided by the fair value (“**FV**”) of one Performance Right/Share Appreciation Right (as determined by an independent valuer) as follows:

Number of Performance Rights/Share  
Appreciation Rights to be granted

=

LTI quantum (\$)  
FV of one Performance Right/  
Share Appreciation Right

## Performance Rights allocation

- 50% of the Performance Rights are measured against the relative total shareholder return (“**Relative TSR**”) hurdle – with the FV for reward allocation purposes determined to be \$2.04 per Performance Right.
  - $(\$150,000 \times 50\%) / \$2.04 = 36,765$  Performance Rights
- The remaining 50% of the Performance Rights are measured against the absolute earnings per Share (“**Absolute EPS**”) hurdle – with the FV for allocation purposes determined to be \$ 3.19 per Performance Right.
  - $(\$150,000 \times 50\%) / \$3.19 = 23,511$  Performance Rights

Therefore, the total number of Performance Rights to be granted = 60,276

## Share Appreciation Rights allocation

- 50% of the Share Appreciation Rights are measured against the Relative TSR hurdle – with the FV for reward allocation purposes determined to be \$ 0.52 per Share Appreciation Right.
  - $(\$150,000 \times 50\%) / \$ 0.52 = 144,230$  Share Appreciation Rights
- The remaining 50% of the Share Appreciation Rights are measured against the Absolute EPS hurdle – with the FV for allocation purposes determined to be \$0.55 per Share Appreciation Right.
  - $(\$150,000 \times 50\%) / \$ 0.55 = 136,364$  Share Appreciation Rights

Therefore, the total number of Share Appreciation Rights to be granted = 280,594

## Performance period

The FY15 LTI grant will be performance tested from 1 July 2014 through to 30 June 2017. Performance is tested over the whole 3-year period to ensure that sustainable Shareholder growth has been created. A 3-year performance and vesting period is typical of ASX listed companies.

## Vesting conditions and performance hurdles

The FY15 LTI grant to be made to Mr Gostlow under the Executive LTI Plan will vest subject to satisfaction of Relative TSR (50% of the grant) and Absolute EPS (50% of the grant) hurdles. These performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting will still occur for that portion of the grant but not the other if the other hurdles are not met.

Relative TSR performance will be assessed against the performance of the ASX 300, excluding companies within the metals and mining, financial services, infrastructure, investment and property sectors.

The Relative TSR portion of the FY15 LTI grant will become performance-qualified as follows:

Relative TSR performance	Vesting outcome (for the Relative TSR portion of the grant)
Less than 50th percentile	Nil
At the 50th percentile	50% of the relevant grant will become performance-qualified
Between the 50th and 75th percentile	For each percentile over the 50th, an additional 2% of the relevant grant will become performance-qualified
At or above the 75th percentile	100% vesting

Absolute EPS performance will be assessed against compound annual growth rate targets set by the Board. The target set for FY15 LTI grant is 10% compound average growth rate.

The Absolute EPS portion of the FY15 LTI grant will become 100% performance-qualified if the compound average growth rate over the 3-year performance period is 10 % or greater. Where the compound annual growth rate over the 3-year period does not reach 10 % per annum, performance vesting is staggered in the following manner:

EPS PERFORMANCE – CAGR (%)	PERFORMANCE VESTING OUTCOME
0% to < 5%	No rights vest
5% < 6%	50% vest
6% < 7%	60% vest
7% < 8%	70% vest
8% < 9%	80% vest
9% < 10%	90% vest
10% and greater	100% vest

In setting the CAGR that determines vesting, the Remuneration Committee review the returns of a comparable index and review industry growth rates.

## ASX Listing Rule requirements

ASX Listing Rule 10.14 provides that a company must not permit a director to acquire securities under an employee incentive scheme (such as the Executive LTI Plan) without the prior approval of holders of ordinary securities. Accordingly, under Resolution 4, approval is sought for the issue of the Performance Rights and Share Appreciation Rights, and Shares upon the vesting of the Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow.

ASX Listing Rule 10.15 requires the following information to be included in this Notice:

- The Performance Rights and Share Appreciation Rights will be granted to Mr Gostlow (the Managing Director of the Company).
- Subject to Shareholder approval being obtained, the number of Performance Rights and Share Appreciation Rights granted to Mr Gostlow will be determined by the allocation methodology formula as outlined above, with a maximum of 60,276 Performance Rights and a maximum of 280,594 Share Appreciation Rights being available for grant to Mr Gostlow.
- No consideration is payable by Mr Gostlow at the time of grant of the Performance Rights or Share Appreciation Rights or upon the allocation of Shares to which he may become entitled to on the vesting of some or all of the Performance Rights and/or Share Appreciation Rights.
- Since the Executive LTI Plan was approved on 24 November 2011 being the date the last approval was sought in accordance with ASX Listing Rules 10.14 and 10.15 153,103 Performance Rights and 633,336 Share Appreciation Rights have been granted under the Executive LTI Plan, to Mr Gostlow.
- Mr Gostlow is the only person referred to in ASX Listing Rule 10.14 entitled to participate in the Executive LTI Plan for the purpose of the approval sought.
- The initial grant of Performance Rights and Share Appreciation Rights will be subject to the performance hurdles outlined above.
- Full details of Mr Gostlow’s holdings of Shares and options are set out in the Company’s 2014 Annual Report.
- No loans will be made by the Company in connection with the acquisition of the Performance Rights or Share Appreciation Rights.
- It is expected that the Performance Rights and Share Appreciation Rights will be granted to Mr Gostlow as soon as practicable after Shareholder approval is received and in any event no later than 12 months from the date of the Annual General Meeting without obtaining further Shareholder approval.
- A voting exclusion statement is provided at Resolution 4 of the Notice.

## Corporations Act requirements

Under Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “Related Party” unless one of the statutory exceptions applies or shareholders have in a general meeting approved the giving of that financial benefit.

Mr Gostlow is a “Related Party” of the Company as defined in the orporations Act because he is a Director of the Company and the issue of Performance Rights and Share Appreciation Rights to him constitutes the giving of a “financial benefit”.

The Performance Rights and Share Appreciation Rights are being issued to Mr Gostlow as part of his remuneration package in respect of services provided to the Company and to be provided to the Company. The Executive LTI Plan forms an important part of the Company’s long term incentive strategy.

Section 211 of the Corporations Act provides an exception to the need to obtain shareholder approval to the giving of a financial benefit to a Related Party where the financial benefit is remuneration to an officer of a public company and giving the remuneration would be reasonable given the respective circumstances of the public company and Related Party (including the responsibilities involved in the office or employment).

The Board (with the exception of Mr Gostlow) considers that the grant of the Performance Rights and Share Appreciation Rights to Mr Gostlow is reasonable given the circumstances of the Company and Mr Gostlow. Accordingly, the Company will not seek approval of the issue of the Performance Rights and Share Appreciation Rights pursuant to Chapter 2E of the Corporations Act.

## Recommendation

The Board (excluding Mr Gostlow) recommends that Shareholders vote in favour of this Resolution 4 to approve the grant of Performance Rights and Share Appreciation Rights under the Executive LTI Plan to Mr Gostlow. Mr Gostlow is interested in the outcome of this Resolution and therefore does not consider it appropriate to make a recommendation to Shareholders.



# GLOSSARY OF TERMS

The following terms and abbreviations used in the Notice of Annual General Meeting and this Explanatory Memorandum have the following meanings:

**\$** means Australian dollars.

**Absolute EPS** means absolute earnings per share.

**Acquisition** has the meaning given to it under Special Resolution 4 in the Explanatory Memorandum.

**Annual General Meeting** means the meeting of Shareholders convened by this Notice.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

**ASX Listing Rules** means the Listing Rules of the ASX.

**Board** means the board of directors of the Company.

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

- (a) a spouse or child of the member; or
- (b) a child of the member’s spouse; or
- (c) a dependent of the member or the member’s spouse; or
- (d) anyone else who is one of the member’s family and may be expected to influence the member, or be influenced by the member, in the member’s dealing with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

**Company** means Tox Free Solutions Limited ABN 27 058 596 124.

**Constitution** means the constitution of the Company as amended from time to time.

**Corporations Act** means the Corporations Act 2001 (Cth) as amended from time to time.

**Directors** means the directors of the Company, from time to time.

**Executive LTI Plan or LTI** means the Tox Free Solutions Executive Long-Term Incentive Plan as amended from time to time.

**Explanatory Memorandum** means this explanatory memorandum.

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

**Notice** means the notice of Annual General Meeting of the Company.

**Performance Rights** means an entitlement granted to a participant in the Executive LTI Plan to receive one Share subject to the satisfaction of any applicable vesting conditions, performance hurdles and / or exercise conditions.

**Proxy Forms** means the proxy form attached to the Notice.

**Relative TSR** means relative total shareholder return.

**Remuneration Report** means the remuneration report set out in the Directors’ report section of the Company’s annual financial report for the year ended 30 June 2014.

**Resolution** means a resolution contained in the Notice.

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

**Share Appreciation Rights** means a right granted to a participant in the Executive LTI Plan to receive a future payment equal to the positive difference between the market value of a Share at the grant date or other time determined by the Board and the market value of a Share upon exercise of the Share Appreciation Right.

**Shareholder** means a registered holder of Shares.

**WST** means Australian Western Standard Time.

# PROXY FORM

APPOINTMENT OF PROXY

TOX FREE SOLUTIONS LIMITED

ABN 27 058 596 124

ANNUAL GENERAL MEETING

I/We

Address

being a Member of Tox Free Solutions Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy **(Please note:** Leave blank if you have selected the Chair of the Annual General Meeting as your proxy.)

OR:

☐ the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair’s nominee, to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 10.30 am (WST) on Friday 28 November 2014 at Rendezvous Grand Hotel Scarborough, Perth Western Australia, and at any adjournment of that meeting.

Voting on Business of the Annual General Meeting	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Director – Richard Allen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Director – Michael Humphris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Issue of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_%.

## Signature of Member(s)

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: \_\_\_\_\_

Contact Ph (daytime): \_\_\_\_\_ Date: \_\_\_\_\_



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