



Strong result under difficult conditions

Company/ASX Code	Select Harvests/SHV
AGM date	Friday 21 February 2020
Time and location	11:00 am National Australia Bank Building, 700 Bourke St, Docklands, Vic.
Registry	Computershare
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Norm West
Pre AGM Meeting?	Yes. With MD Paul Thompson (Phone Conf)

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

The company is well governed and administered by a diverse well qualified board and a skilled workforce. It is one of Australia’s largest almond growers and a leading manufacturer, processor and marketer of nut products, health snacks and muesli.

It has a processing facility near Robinvale and a value – adding processing facility in Melbourne which enables the company to add value in the process chain. Select Harvests is one of Australia’s largest almond exporters and it continues to build strong markets in India and China. It supplies branded and private label products to the Australian domestic market.

Productivity continues to improve, with the cost of production per kilogram reducing by 14.7%. It remains focussed on environmental and sustainability responsibilities with increased investment in efficient water usage technology and the completion of the H2E (hull to energy) biomass electricity cogeneration plant. The company’s stated number one objective is the safety of staff. There is a published aim to improve safety performance by 15% until it reaches a zero-harm environment. The Diversity Goals aim to employ at least 33% of the workforce with ethnic diversity, 33% males and 33% females. In 2019, 45% of staff identified as being from culturally diverse backgrounds with 70% male and 30% female.

Financial performance

Total sales were a record. Earnings per share were the second highest in the past 10 years and the annual 100% franked dividend was 32c. The net debt/equity ratio is a record low of 6.6%. The company had a successful financial result based on an average almond sale price of A\$8.60/kg, solid demand and a lower Australian dollar. The annual total shareholder return (TSR) was 51 % compared to a negative return in 2018.

Key events

The main change was the company's new financial year running from 1 October 2018 to 30 September 2019 with the AGM held in February 2020. The company re-developed 145Ha of almond orchards in July 2019.

Key Board or senior management changes

Mr Guy Kingwill was appointed in November 2019 as a new additional director. He is standing for election at the AGM. Suzanne Douglas joined the company as General Manager Consumer and Urania Di Cecco was appointed as General Manager – People, Safety and Sustainability.

ASA focus issues

Covered elsewhere.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	53.022	20.371	9.249	33.796	56.766
UPAT (\$m)	76.108	29.464	11.978	44.290	80.514
Share price (\$)	5.32	6.90	4.90	6.74	11,00
Dividend (cents)	32	12	10	46	50
TSR (%)	51	43	(26)	(35)	124
EPS (cents)	55.5	23.2	12.6	46.7	82.9
CEO total remuneration, actual (\$m)	1.168	0.725	0.717	1.036	1.414

For 2019, the CEO's total actual remuneration was **13.3 times** the Australian Full time Adult Average Weekly Total Earnings (\$88,145) (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Re-election of Ms Fiona Bennett (2a) and election of Mr Guy Kingwill (2b) as a Director
ASA Vote	For

Summary of ASA Position

Ms Bennett was appointed to the board on 6 July 2017. She is an experienced non-executive director with a background in business management, corporate governance, audit and risk. She is the Chair of the Audit and Risk Committee and a board member of BWX Ltd and Hills Ltd. Her accountancy background, independence and reasonable workload are very suitable for the board. Ms Bennett holds 7,630 shares.

Mr Kingwill was appointed on 25 November 2019. He has an extensive background in horticulture, soft commodity marketing and water investment and trading from his previous position as MD and CEO of Tandou Ltd, an ASX company based in Mildura before its takeover. His knowledge of the industry and area should prove very positive. He has no other ASX position and holds 5,361 shares in the company.

There is a diverse range of skills and experience suitable for this company. The board has 2 female directors.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO rem. framework	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	\$0.629	55%	\$0.629	42%
STI - Cash	\$0.314	27%	\$0.393	26%
STI - Equity	Nil	Nil	Nil	Nil
LTI	\$0.258	18%	\$0.487	32%
Total	\$1.201	100%	\$1,509	100%

There are clear tables of information disclosing remuneration mix, actual remuneration, maximum amounts and the relevant performance conditions. The short-term incentive (STI) is paid in cash over the year. Measures are a mixture of company performance and operational performance. There is a margin of 20% board discretion. Lastly there is a safety and values gateway which is taken very seriously by management. Total fixed remuneration is 50% of the CEO's maximum

remuneration and is 65% of other Key Management Personnel (KMP). The remainder in both cases is performance dependent STI's and long-term incentives (LTIs).

LTIs are paid as performance rights with a calculated value which is the maximum opportunity value. The vesting term is 3 years which is debatable under ASA policy. In the light of the conditions under which an agribusiness operates it seems reasonable. The performance conditions are fair with a positive absolute shareholder return and two major conditions. A compound annual growth rate of 5% plus over 3 years and TSR relative to a peer group that must match the 50th percentile to gain any reward. Vested performance rights must be held until the accumulated value is equal to 100% of base salary.

Item 4	Increase in maximum annual remuneration of non-directors
ASA Vote	For

Summary of ASA Position

The last increase was in 2015 when a limit of \$830,000 was approved. Approval is sought to increase the non-executive director (NED) limit by \$120,000 to \$950,000. The base director payment in 2019 was \$97,453. The increase appears reasonable for 5 NED directors and the Chair. The fee pool is in keeping with similarly sized companies, in terms of market capitalisation.

Item 5	Approval of LTI grant to Managing Director Paul Thompson
ASA Vote	For

Summary of ASA Position

If approved the company will issue to Mr Thompson awards with a full vested face value of \$423,000. The number will be determined by dividing the full vested face value by the volume weighted average price (VWAP) of company shares over the 10 days preceding the date of the AGM. There is no cost involved for Mr Thompson. The performance period commenced on 1 October 2019 and concludes on 30 September 2022. As described under the Remuneration Report there are 2 performance criteria each worth 50% of the awards.

1. TSR Against peer companies with a gateway that the absolute TSR must be positive with no awards below the 50th percentile.
2. Absolute earnings per share (EPS) growth over the period. EPS must reach 5% to begin and 20% for maximum number of awards.

The conditions and amounts are reasonable and there is a strong link with shareholder returns and company performance.

The individual involved in the preparation of this voting intention has a shareholding in this company.

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