Australian Shareholders' Association

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Company	Adelaide Brighton Limited
Code	ABC
Meeting	AGM
Date	10 May 2019
Venue	Intercontinental Hotel, North Terrace, Adelaide
Monitor	Bob Ritchie assisted by Malcolm Keynes

Number attendees at meeting	179 est
Number of holdings represented by ASA	179
Value of proxies	$6m
Number of shares represented by ASA	1.7m (equivalent to 14th largest holder)
Market capitalisation	$2.350 billion
Were proxies voted?	Yes, by poll on all items
Pre AGM Meeting?	Yes, with chair Zlatko Todorcevski

Personnel changes but results steady as a block of concrete

The 2019 Adelaide Brighton AGM was less lively than last year. There was no comment and no question about the $17m embezzlement revealed last year; quite properly so as the matter is before criminal and civil courts. Continued good financial performance was somewhat overshadowed by an ASX announcement the previous day, notifying a negative outlook revision of 10 to 15%, resulting in a fall in share price.

The chair's and CEO's addresses were available to shareholders in printed form before the meeting. Content closely resembled information already published in the annual report.

Chair, Zlatko Todorcevski, outlined the key events during 2018 and reiterated a previously announced board change whereby he would become lead independent director and Ray Barro would be chair. A third Barro Group nominee, Rhonda Barro was proposed for election, giving the board a 4:3 majority of independent directors. We commented firstly on the sensible and cooperative way the board had operated with Ray Barro as a director since his acquisition of 19% of the company years earlier and secondly the sound corporate governance statement produced to cover the foreshadowed situation. While noting the soundness of the statement, we identified two gaps: (1) chairing of board committees, for which we had been satisfied by assurance that all board committee chairs would be independent directors, (2) the potential for disturbance of the majority of directors being independent if the CEO were to be made managing director, in regard to which we sought a position statement from the present and foreshadowed chairman of the board and the other directors who were candidates for election that day. All four expressed a commitment to the intended majority of independent directors and none mentioned the possible promotion of the CEO. We have formed the opinion that another independent director could be appointed, resolving our foreshadowed problem arising from promotion of the CEO.

The new CEO, Nick Miller, gave a quite detailed overview of the company's widespread operations, and spoke of the downgraded financial results foreshadowed in the previous day's announcement, on the basis of forecast weaker economic conditions affecting parts of the business. His strategic response, also announced the previous day, was in our opinion somewhat bland: sound in format but unrevealing in terms of company specifics and relating to expansion strategy mentioned earlier in the speech. For example, we would be interested in whether there generally would be reluctance to pursue organic expansion during poor economic conditions and whether poor economic conditions might be considered an opportunity to pursue acquisitions at the right price, given the company's good balance sheet; also whether off shore acquisition might be pursued in a neighbouring country if its economic conditions were better than ours.

The first two shareholders to ask questions both addressed sustainability issues in the circumstance of climate change. Their questions were relevant and the answers were careful and respectful.

All three directors up for (re-)election gave a short address in support of their candidacy and all spoke to the ASA questions about the promotion of CEO to MD, as reported above. We supported all elections.

We stated our support for adopting the remuneration report and asked for information on the source and rationale for the announced large against vote. The explanation was that the termination payment to the departing CEO/MD triggered negative advice from some proxy advisers. We had considered Brydon was fairly penalised last year for his accountability for events which happened on his watch over two years, without his knowledge but within systems management for which he was accountable. We also took into account his 30 years of otherwise good service and the change in status of payment obligations; first his obligation to give six months' notice, second the board's decision to ask him to stay on, twice. There is also the board's exercise of discretion in bring forward the vesting of two years of LTI in play while simultaneously quashing the latest two years. This was an 'on balance' decision on ASA's behalf. The against vote was 29% of the proxy votes and 31% of the total: a first strike.

We had brief discussions with some of the directors both before and after the meeting and met with various shareholders after the meeting, including a couple of ASA members who had travelled from Queensland.

The Adelaide Advertiser covered the AGM and had a good article in the paper the next day.