Australian Shareholders' Association

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## Reconnect, Rebuild, Rediscover, Reimagine

| | |
|---|---|
| **Company/ASX Code** | Corporate Travel Management/CTD |
| **AGM date** | Thursday, 27 October, 2022 |
| **Time and location** | 11am AEST Hilton Hotel, Elizabeth Street Brisbane |
| **Registry** | Computershare |
| **Type of meeting** | Physical |
| **Poll or show of hands** | Poll on all items |
| **Monitor** | Shirley Watson assisted by Alison Harrington & Noel Ambler |
| **Pre AGM Meeting?** | Yes with Chair Ewen Crouch & Company Secretary Shelley Sorrenson |

Monitor Shareholding: The individuals involved in the preparation of this voting intention have no holdings in this company.

**Summary of issues for meeting**

Corporate Travel Management has returned to profitability and the first payment of a dividend since FY19 after the extremely difficult conditions in both domestic and international markets from the impacts of COVID-19.

The completed acquisition of HelloWorld Travel

**Proposed Voting Summary**

| No. | Resolution description | |
|---|---|---|
| 1 | Remuneration Report | For |
| 2 (a) | Re-election of non-executive Director Mrs Sophia (Sophie) Mitchell | For |
| 2 (b) | Re-election of non-executive Director Mr Ewen Crouch | For |
| 2 (c) | Election of Mrs Marissa Peterson as a Director. | For |
| 3 | Approval of grant of rights to Ms Laura Ruffles under the Company's omnibus Incentive Plan. | For |

**Summary of ASA Position**

**Consideration of accounts and reports - No vote required**

Corporate Travel Management (CTM) is a cost-effective global provider of travel solutions including corporate, events Leisure and wholesale travel. It is able to manage client's needs on the global scene because it has scale, geographical spread and technological capabilities.

Most of its revenue is being generated within the domestic market in each country.

With a concentration on corporate clients, CTM can maximise investment in customer facing technology – less need for 'shop fronts'. Being capital light means cost reductions.

**Governance and culture**

Overall CTM is a well governed company that acts in the best interests of shareholders. CTM's first priority is the protection of the health, safety and welfare of its people and clients and it quickly adapts the working environment for their safety. Creation of value is dependent on training and retaining talented and motivated staff. The Board has strong focus on **Diversity. Equality and Inclusion** in employment opportunity where they are represented now by 72% of employees being female, including 48% of senior leadership positions. The average age being 45. The company has focussed on operational and process training due to the volatile travel landscape. To support this culture, they apply good governance practices. There is a very comprehensive 2022 Corporate Governance Statement in the Resources Section on the website. Of their alumni who were stood down in travel and airline closures, 97% returned when given the opportunity.

**Financial performance**

FY22 produced a revenue of $388.7 million resulting in a statutory NPAT of $3.1 million following a loss of $55.4 million in FY21. There was an underlying EBITDA of 59.8 and an underlying NPAT of $22.3 million. Holding cash of $142.1 million and **no debt** puts the company in a sound financial position. The business and activities of the Company include a significant carrying amount of intangibles as a non-current asset on the Balance Sheet. FY22 intangibles represent 64% of Total Assets, a decrease of 2% from the previous year. Shareholder equity is 71.7% of Total Assets.

With share price volatility, total shareholder returns (TSR) for the financial year were down 13.6%

The total Revenue and other income of $388.7 million was made up of:

- 48% ($96 million) from the North America;
- 21% ($43.6 million) from Europe;
- 9% ($18.9 million) from Asia; and
- 22% ($42 million) from Australian/New Zealand.

Increasingly its business operations are located overseas with only about 20% in Australia/New Zealand. The CEO and MD was based in North America for all of the first half of FY22.

The company paid its first dividend since FY19 with a second half year **Dividend of 5 cents per** share. This payment became possible with a significant revenue improvement in 4$^{th}$ quarter of FY22 from border re-openings. The Chairman commented that the Board decided to reward shareholders to keep faith with them on the way back to the policy of paying 50% of NPAT as dividend. This action demonstrates a concern to act for the benefit of shareholders. One Broking House is reported as saying that it is likely to be a first travel company, globally, to pay a dividend since COVID.

Some significant **risks** to the company are travel disruptions, reduced airline capacity and capability, failure to recruit and retain experienced, motivated and talented staff and leaders. **Cyber-security risk** and the protection of a significant amount of confidential client, employee and third-party information. Any unauthorised release of misuse of proprietary information would lead to reputational damage, regulatory breaches and financial penalties. Investment in Software Assets was $21.7 million during FY22.

**Key events**

The acquisition of Helloworld, which was announced in December 2021, but was delayed waiting for regulatory approval until March 2022. There was no borrowing involved as the acquisition was funded by $100 million cash and an $84.8 million cash component funded by a fully underwritten institutional placement and a Share Purchase Plan which received strong support. The issue share price was $21 for both the placement and the Share Purchase Plan.

Other smaller acquisitions, which are expanding the company include Safe2 Travel in May 2022; CTM opened in Tokyo in July, 2022; 1000 Mile Travel Group in July, 2022.

The integration of Travel and Transport in North America, which was acquired in October 2020 has been largely completed and provides an expanding footprint into the world's largest travel market.

In the past CTM's growth has been achieved through acquisitions; in the future, although opportunities will be taken, there will be a much greater importance on organic growth. CTM is now the 5th largest travel company, globally. It is expected that with full recovery EBITDA will be 75% larger than pre-COVID.

**Focus Issues**

**Board Composition**

The Board has a majority of independent directors and there are two managing directors. There is Gender Diversity with 50% each of male and female directors and also 50% of each of male and female with Key Management Personal (KMP's). Refer to the 2022 Corporate Governance Statement.

**Key Board or senior management changes**

Another Director, Marissa Peterson, was appointed in July 2022. She is based in North America and reflects the growing international operations of the company. In FY23 half of the Board and Management Committee meetings will be held overseas. Anne Turner, Company Secretary, retired and Shelley Sorrenson has been appointed to that position.

**ESG**

These issues are well covered in the company's **Sustainability Report** which is centred on the four Pillars of Governance, People, Planet and Prosperity that align to the guiding reporting framework provided by the World Economic Forum. CTM has a commitment to sustainability and appointed its first Global Head of ESG and Sustainability in 2021/22.

CTM has a very small direct carbon footprint because it operates mostly online; It owns a relatively small amount of real estate; nonetheless the company aims to reach net-zero emissions.

CTM publishes a **Modern Slavery Statement** with a new Statement out in December 2022.

**Summary**

| (As at FYE) | **2022** | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|---|
| Revenue ($m) | 388.7 | 200.5 | 349.9 | 449.5 | 372.2 |
| NPAT ($m) | 3.1 | -55.4 | -8.2 | 86.2 | 77.5 |
| UPAT ($m) | 22.3 | -7.2 | 65.0 | 150.1 | 125.4 |
| Share price ($) | 18.52 | 21.49 | 9.41 | 21.86 | 26.52 |
| Dividend (cents) | 5 | 0 | 0 | 40 | 36 |
| Simple TSR (%) | -13.6 | 128.4 | -55.5 | -16.4 | 20.8 |
| EPS (cents) | 22 | -43 | -7.5 | 77.05 | 72.14 |
| CEO total remuneration, actual ($'000) | 906.4 | 460.9 | 436 | 453.1 | 535.2 |

For FY2022, the CEO's total actual remuneration was **9.5 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2022 data from the Australian Bureau of Statistics).

## 1 Remuneration Report

The Group's remuneration framework has three components:

- Fixed annual remuneration (FAR)
- Short-term performance incentives (STI)
- Long-term (equity) incentives (LTI)

The Remuneration Report explains the remuneration arrangements in place for executive Directors, senior management and non-executive Directors.

Fixed annual remuneration (FAR) comprises base pay, superannuation, leave. Team members are offered a competitive FAR that targets the desired skills and experience for their roles.

The STI is designed to recognise outstanding employee performance and the execution of CTM's business plans provided the Group can also demonstrate it has created value for shareholders.

Each year, the Remuneration and Sustainability Committee considers the appropriate targets and KPI's required to trigger payment of STI's.

Ordinarily, the STI pool is based on the following key elements:

- The financial performance of the relevant region and the financial performance of the Group in the year. FY22 required a positive underlying EBITDA, adjusted for one-off items, including significant on-recurring items, currency movements.
- Each individual's performance against their KPIs. KPI targets for Executive KMP include a mix of financial and non-financial. The KPI's are weighted 70% to EBITDA and 30% non-financial.

Following an external review with remuneration consultants and feedback from shareholder advisers there are changes to **LTI in FY23**. Performance Rights, replacing SARs, will now be issued.

The value of the performance rights issued each year to an eligible executive will typically be set between 5% and 75% of FAR. The opportunity for each eligible executive is determined at the beginning of each year. This quantum is large, so uncertain how challenging it will be.

Each Performance Right entitles an executive to one CTM share at nil cost.

The performance measures include a share price gateway and an underlying EBITDA target vesting schedule, both determined at the time of granting. Should the share price measurement finish below the gateway, no performance rights will vest. Vesting Performance Rights will be settled in equity. Fair value method is used without the substantial discount that is usually applied to reflect the likelihood of hurdles not being met. ASA does not support the 'fair value' methodology where the allocation is huge due to such a discount.

Performance is measured over three years. ASA prefers four years, or longer.

**See Appendix A**

**Election or re-election of directors**

**2(a) Re-election of Sophia (Sophie) Mitchell**

Sophia Mitchell has been a director since 2019. She has over 30 years of corporate advisory, capital markets and equity research experience. She retired from Morgans in June 2019 after over a decade as an Executive and prior to this, she was Morgan's Head of Research. Sophie is the Chairman of ASX-listed Apollo Tourism & Leisure Limited and Australian Super's Queensland Advisory Council. She has 3 other non-executive positions.

She is chairman of the Company's Remuneration & Sustainability Committee and a member of the Audit & Risk Committee and the Nomination Committee. Sophie has a sufficient holding of CTM shares and is considered an Independent Director. We will vote in favour of her re-election.

2(b) **Re-election of Ewen Crouch AM**

Ewen has been a Director and Chairman of the Board since 2019. He is chairman of the company's Nomination Committee and a member of its Remuneration & Sustainability Committee and the Audit & Risk Committee.

Ewen served on the Board of Allens for 11 years and Chairman of Partners for 4 years. He was a director of Westpac Bank from 2013 – 2019. He has also held other director positions previously, including that of the Sydney Symphony Orchestra.

Ewen is a non-executive Director of BlueScope Steel Limited since 2013 and Chairman and non-executive Director of AnteoTech Limited since April, 2022. Ewen has an adequate holding of CTM shares. Ewen is considered to be an Independent director and we will voted open proxies in favour of his re-election.

**2(c) Election of Marissa Peterson**

Masissa was appointed as a director of the Company, effective from 25 October, 2022. Marissa is President and CEO of Mission Peak Executive Consulting, a Silicon Valley leadership coaching business, and currently serves on the Board of Ayers Rock Acquisition Company.

Marissa is based in the United States and brings extensive experience in governance, technology and digital transformation, and executive development.

Marissa has had a number of senior executive roles at Sun Microsystems over a 17 year period, including Executive Vice President of Sun Services and Executive Vice President of Worldwide Operations.

Board experiences include past roles as Chairman of Oclaro and a non-executive director of ASX-listed Ansell and a range of US-based companies. She has a Bachelor of Science in Mechanical Engineering, an Honorary Doctorate in Management and an MBA from Harvard Business School.

Marissa Peterson is considered to be an independent Director and we will vote in favour of her election.

**Resolution 3: Grant of rights to Global Chief Operating Officer and Executive Director.**

Shareholders are being asked to approve this Resolution to allow performance rights and shares that may vest under the Company's Omnibus Incentive Plan following the exercise of Rights to be issued to the Company's Global Chief Operating Officer and Executive Director, Ms Ruffles. Permission is being sought as she is a director of the Company.

If the Resolution is passed the Company will be able to proceed with the issue of Rights. The grant of Rights may in due course involve the issue of shares. If the Resolution is not passed, the Company will not be able to proceed with the issue of the Rights and the Company will, on the relevant vesting dates, acquire shares on-market or pay in cash the value of Rights that would have vested on that vesting date if shareholders had approved the issue.

Ms Ruffles is the only director who participates in the Company's equity-based incentive program. She participates in the same incentive plan as all other senior leaders in the Company (excluding the Managing Director, who does not participate in the equity incentive plan).

Talent retention and motivation are critical for the Company's business performance and to create wealth for shareholders. Since early 2020 there have been large COVID related revenue swings affecting staffing. Employees in the travel industry with transferable skills are targeted by other industries during this period of uncertainly. In determining Ms Ruffles' remuneration the Board considered her role and the business challenges facing the Company and that Ms Ruffles is essential to the operation of the Company's business.

The vesting in the relevant performance period is conditional upon satisfaction of the following conditions –

- Ms Ruffles remains in continuous service with the Company until 30 June 2025
- Achievement of underlying EBITDA growth per annum (compound) over a three-year performance period. The performance hurdles which rights can vest from the Minimum underlying EBITDA growth from 1 July 2022 to 30 June 2025.
- The scale at which these vest is:

<16% - 0% vest; 16% - 50% vest; 18% - 75% vest; 20% - 100% vest

Rights will vest on a straight-line basis where average underlying EBITDA falls between 16-20%

This is shown in the Explanatory Memorandum in the Notice of Meeting as is the methodology and assumptions used in the calculation of the value of the rights issued. Although ASA prefers a performance period of at least four years, this is an exceptional recovery period for CTM.

We have valued the allocation of 30,219 rights to Laura Ruffles at current market price of $16.20 (18 October 2022) giving a face value of almost $490,000 which approximates 70% of cash salary.

The priority for the Board has been to motivate, retain and recruit talented staff under difficult circumstances to maximise future shareholder returns. ASA will vote for this resolution.

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## Appendix 1
## Remuneration framework detail

As part of the Global Travel Industry CTM has been extensively affected by COVID with large swings in its Revenue generation capability. Talent retention and motivation, especially for KMPs and leaders are critical for the Company's business performance and creation of shareholder wealth into the future. Since early 2020 there have been large COVID related revenue swings affecting staffing. Employees in the Travel Industry with transferable skills are targeted by other industries during this extraordinary period of uncertainty. With the challenge of geographical diversity, fixing performance targets and hurdles becomes less certain. The ASA prefers that a majority of STIs are based on quantifiable and disclosed performance metrics. There are some performance measures and targets that could be more clearly explained.

The Table below relates to the CEO.

| CEO rem. Framework for FY23 | Target* $m | % of Total | Max. Opportunity $m | % of Total |
|---|---|---|---|---|
| Fixed Remuneration | 0.5 | 50% | See comment (1) | 50% |
| STI - Cash | 0.5 | 50% | N/A | 50% |
| STI - Equity | 0 | 0% | N/A | 0% |
| LTI | 0 | 0% | N/A | 0% |
| Total | 1.0 | 100.0% | N/A | 1.0 |

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

(1) The CEO & Managing Directors selects not to participate in LTI's. He is the Founder of the company and has a significant shareholding. He has a FAR of $.5 million and STI Opportunity of 100% of FAR paid in cash. ASA prefers 50% in equity with a 1-year holding lock. The CEO's disclosed actual remuneration of FY22 was $0.9 million which included 80% of his STI Opportunity of $0.5 million.

Non-executive director base fees remain unchanged at $242,500 for the Chairman and $122,500 for a Member. All NEDs, Executive directors, and KMPs have a minimum shareholding in the Company, except one NED with less than 3 years since his election.

There is fair disclosure of KMP remuneration given in the Company's Remuneration Report and I consider that the company's performance supports these payments. However, there are some items referred to in the paragraphs above that do not align well with ASA preferences. By managing well and expanding through some difficult years and attaining profitability in FY22, from a FY21 loss, as well as paying its first dividend this year since COVID, the company deserves credit. It is from the significant upturn in Revenue in 4Q22 that the Board determined to reward shareholders with a dividend. With this outcome, on balance it seems justified to support the Resolution this time.