



Newcrest – one of the world’s largest gold miners

Company/ASX Code	Newcrest Mining Limited (NCM)
AGM date	Wednesday 9 November 2022
Time and location	10.30am AEDT The Pavilion, Arts Centre, 100 St Kilda Rd, Melbourne
Registry	Link Market Services
Type of meeting	Hybrid
Poll or show of hands	Poll on all items
Monitor	Rod McKenzie
Pre-AGM Meeting?	Yes, with Chair Peter Tomsett & Deputy Company Secretary Claire Hannon

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention does not have a shareholding in this company.

Summary of issues for the pre-AGM meeting with the chairman

- Director workload – several directors seem particularly busy.
- Recent expansion with a number of key projects all needing technical & financial input.

Proposed Voting Summary

No.	Resolution description	
2a	Election of Mr Philip Bainbridge as a Director	For
2b	Re-election of Ms Vickki McFadden as a Director	For
3	Grant of Performance Rights to the Managing Director & Chief Executive Officer (Mr Sandeep Biswas)	For
4	Adoption of Remuneration Report for the year ended 30 June 2022	For
5	Non-Executive Directors’ Fee Pool (Increase)	For

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

Summary of ASA Position

Consideration of accounts and reports - No vote required

Newcrest (NCM) has reported another strong financial result in FY22. Recent expansion through the takeover of Pretium in Canada has resulted in NCM becoming the largest gold producer in the British Columbia province.

Production in Australia was hampered by maintenance and upgrade of the SAG mill at the Cadia mine near Orange in NSW. Approval of the expansion of the Cadia mine processing capacity was recently received – this will see capacity rise to 35 million tonnes per annum (MTPA). Cadia is already one of the lowest cost gold mines in the world after credits for copper and molybdenum are taken into account. The company has recently commissioned its own molybdenum plant at Cadia to benefit directly from sales of this important metal.

The Telfer mine in WA is continuing production but with only a few years remaining reserve life, NCM is progressing a joint venture (JV) over the Havieron deposit with Greatland Gold. Gold ore from this operation is expected to be treated at the Telfer mine.

Production from the Lihir mine in Papua New Guinea was marginally lower during FY22 due to maintenance activities and unplanned downtime.

Red Chris and Brucejack mines in British Columbia are both in expansion phase and likely to see significant increases in production over the next several years.

Governance and culture

NCM has developed an inclusive culture within the organisation by building a diverse workforce and promoting respect at all levels in the workplace.

Financial performance

NCM reported solid financial performance in FY22 after allowing for lower production from the Cadia and Lihir mines. Further, the purchase of Pretium (approx. \$1 bn from existing cash & reserves) impacted their gearing and other financial metrics.

NCM paid dividends of US27.5c compared to US55c in FY21. The share price dropped from A\$25.28 at 30 June 2021 to A\$20.89 at 30 June 2022. Since then the share price has fallen further to around A\$17 in mid-October. The drop in share price is largely attributed to the fall in the gold price along with market uncertainty impacted by Covid and the Ukraine war.

Total Shareholder Return (TSR) has fallen again from -18.6% in FY21 to -15.2% in FY22 due largely to the falling share price.

Key events

The company completed the purchase of the Brucejack mine held by Pretium Resources during FY22. Final regulatory approval was granted in March 2022.

Key board or senior management changes

During FY22 Peter Hay resigned as Chairman and non-executive director Peter Tomsett was appointed as Chairman (effective November 2021). Mr Philip Bainbridge joined the board as a non-executive director in April 2022.

Former Finance Director & Chief Financial Officer (CFO) Gerard Bond resigned and Ms Sherry Duhe commenced as CFO.

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (US \$m)	872	1164	647	561	202
UPAT (US \$m)	872	1164	750	561	459
Share price (A \$)	20.89	25.28	31.53	31.95	21.80
Dividend (US cents)	27.5	55.0	25.0	22.0	18.5
Simple TSR (%)	-15.2	-18.6	-0.3	48.3	9.2
EPS (US cents)	103.4	142.5	83.4	73.0	26.3
CEO total remuneration, actual (US \$m)	6.2	7.7	5.7	6.4	6.7

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking by the share price at the start of the year).

Election or re-election of directors

Newcrest has a majority of independent directors. There are 7 NEDs – 3 women & 4 men. There is a very good spread of skills and experience however a couple of the directors appear very busy, especially with other current directorships (non-listed) or advisory positions. The chairman assured ASA that all directors devote sufficient time to their NCM roles. All directors meet ASA guidelines in terms of listed company directorships. All directors meet the ASA guidelines on shareholdings in the company.

With the expansion of activities in North America, the company may look at a US or Canadian director in the future.

Mr Philip Bainbridge was appointed to the board as a NED in April 2022. He is a member of the Safety & Sustainability committee. Mr Bainbridge is also a director of Beach Energy and Sims Limited. He has extensive experience in the oil and gas sector and extensive experience in Papua New Guinea. The ASA supports his election.

Ms Vicki McFadden is standing for re-election to the board. She has an extensive background in finance and law and is a former investment banker. Ms McFadden is the Chairman of the Audit & Risk Committee and a member of the Human Resources and Remuneration Committee and a member of the Nominations Committee. The ASA supports her re-election.

Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO

Remuneration is based on a mix of fixed salary, short-term incentives (STIs) and long-term incentives (LTIs). For the CEO, the split is approximately 20% salary, 20% cash STI, 20% Equity STI and 40% LTI. The STIs have a 12-month performance period with half of the equity component subject to a 12 month holding lock and the other half to a 24 month holding lock. The LTIs are measured over a 3-year performance period with a holding lock of a further 12 months following any award. ASA has requested a longer performance period for the LTIs and this is presently being considered by NCM according to the chairman.

Newcrest includes a table of Actual Remuneration for key executives and includes an excellent table of the executives share rights holdings (refer P 122 in A/R). This is an example that other companies should follow!

All executives meet the ASA guidelines in relation to minimum shareholdings and Newcrest has recently announced that the CEO will be required to hold 200% of TFR in equity whilst executives will be required to hold 100% of TFR in equity. NEDs are required to hold the equivalent of one year's fees in equity.

There is a planned change to the STI measures for FY23. The FY22 measures covered Safety, Sustainability, Earnings, Free Cash Flow and Costs. Proportions of these will be altered for FY23; the Free Cash Flow measure is being replaced with Operating Cash Flow. This will form 25% of the revised STI award formula. The CEO is entitled to receive 100% of TFR as his STI "target" performance and 200% of TFR at "maximum performance".

The maximum LTI award for the CEO is 180% of his TFR. The offer price for Performance Rights is based on a 5-day VWAP measured over the period immediately prior to the LTI offer. The 2021 performance conditions (FY22) were based on Comparative Cost Position, Relative Total Shareholder Return (TSR) and Return on Capital Employed (ROCE) in equal proportions. The 2022 performance conditions (FY23) have changed to Comparative Cost Position 25%, ROCE 25% and TSR 50%. The 2022 award will be tested over a 3-year performance period from July 2022 to end June 2025.

The number of Performance Rights to be issued will be approximately 234,000 based on the CEO's TFR of A\$2.47m x 180% and an assumed share price of \$19. The actual issue price will change based on the 5-day VWAP.

TFR is reviewed annually as part of the regular salary review. In FY23, the company has awarded the CEO a 2.9% increase in TFR and other executives an average increase in TFR of 2.9% effective from 1 October 2022.

Actual Payments Notes:

STI cash payments relate to performance for the FY21.

STI equity payments relate to FY19 & FY20 with the share price on vesting date being A\$25.72.

LTI equity payments relate to 2018 LTIs that vested in November 2021 with the share price on vesting date being A\$24.38.

Positives

- CEO's actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package does not reasonably exceed the Godfrey Group report benchmarks.
- The quantum of Board fees do not reasonably exceed the Godfrey Group report benchmarks.
- At least 50% of CEO's pay is genuinely at risk, however STIs can rise to 200% of TFR for the CEO&MD and certain executives.
- Majority of STIs are based on quantifiable and disclosed performance metrics.
- At least 50% of STIs are paid in equity with a minimum 12 month holding lock.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- LTI hurdles are measured a minimum of three years after issue. There is a 12-month holding lock on shares issued under the LTI plan.
- LTI hurdles are based on three hurdles, one of which is Relative TSR, however payment will still be made if absolute TSR is negative.
- Comparator groups are from similar industries and include key competitors and any relevant foreign companies.
- All share grants are allocated at face value not fair value.
- Share grants are generally satisfied by equity purchased on-market.
- Hurdles based on earnings are based on statutory earnings.
- No retention payment on any awards are subject only to continuing service.
- No termination payments exceed 12 months fixed pay.
- Vesting in a takeover or "change of control" event is at the discretion of directors.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

Areas for Improvement

- LTI awards are based on a 3-year performance period rather than the ASA preferred 4 years or longer.
- Share awards can still be made if TSR is negative.

Item 5: Non-Executive Directors' Fee Pool

It is proposed to seek approval from shareholders to increase the NED fee pool by A\$500,000 from A\$2.7m to A\$3.2m. This increase is to provide greater flexibility to appoint additional directors and to maintain a competitive level of board remuneration. The NED fee pool was last increased in October 2010. The ASA supports this resolution.

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Appendix 1 Remuneration framework detail

