



Tough year for NHC

Company/ASX Code	NHC
AGM date	Tuesday 17 November 2020
Time and location	12 noon AEST Virtual by Lumi
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	John Collins
Pre AGM Meeting?	No

Please note any potential conflict as follows: The individual involved in the preparation of this voting intention has a shareholding in this company.

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

Summary of ASA Position

NHC had a hard year due to falling coal and oil prices. Coal price fell close to production cost impacting on the ability to service the costs of re-furbishing the Bengalla dragline. The low prices for both coal and petroleum and the delay in New Acland stage 3 caused impairment to assets of about \$330million leaving the NPAT for 2020 at a loss of \$156.8million, no Final Dividend in 2020 and no STI paid to management. It would seem that shareholders were lucky to receive the 6c/share for the Interim Dividend. The coal price outlook appears to more of same low prices for a while at least with hopes for improvement with COVID-19 effects reduced. The rejection of the WICET appeal by the High Court adds a bit of sunshine to an otherwise gloomy picture.

The excellent overall safety figures for the NHC operations indicate that Culture and Governance are doing well.

The expansion of the mine rehabilitation agricultural activities at New Acland to Bengalla are beginning to show signs of being a potentially attractive business while achieving very good cultural recognition for the Company.

Shane Stephan (CEO and MD), Mathew Busch (CFO) retired and Sue Palmer (NED) resigned during the year. Bill Grant (NED) is expected to retire this month.

Reinhold Schmidt was appointed CEO and Jacqueline McGill appointed as a NED and is also a member of the Audit/Risk and the HR/REM committees.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	-156.8	210.7	149.5	140.6	-53.7
UPAT (\$m)	NA	NA	NA	128.7	5
Share price (\$)	1.34	2.51	3.19	1.60	1.60
Dividend paid (cents)	15	16.0	12	6	8
TSR (%)	-41	-16	107	4	-12
EPS (cents)	-18.9	25.3	18	16.9	-6.5
CEO total remuneration, actual (\$m)	1.8	2.3	1.9	1.4	1.3

For 2020, the CEO's total actual remuneration was 20 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings"

Item 2 Resolution 1	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	NA	NA	1.500	58%
STI – Cash	NA	NA	0.555	21%
STI – Equity	NA	NA	0	0%
LTI	NA	NA	0.555	21%
Total	NA	NA	2.610	100%

The amounts in the table above are the amounts envisaged in the design of the remuneration plan. NHC's framework doesn't include a target level of remuneration.

The Remuneration Report is long but easy to follow and it seems, that a lot of thought has gone into making it more readable for a shareholder. This is a credit to the company.

The actual remuneration for directors and management is disclosed. Also, a table shows the take home pay for all KMP's that follows the ASA's recommendation. The actual remunerations are well within acceptable limits.

The incentive schemes KMP's consist of a STI and a LTI.

The STI is concerned with an executive's performance over the year. Performance is rated on a scorecard basis to a percentage of the maximum opportunity and is paid in cash at the end of the year with no holding period. A STI was not paid this year.

The LTI is a four-year incentive process consisting of the first three years measuring the executive's performance together with a service condition over 4 years. Performance is assessed by a Relative TSR and the executive's personal scorecard weighted 75% and 25% respectively. The Relative TSR is the ASX 200 XNT index and appears to be very appropriate. The CEO benefitted from the 2016 LTI amounting to \$331,579.

Both schemes do not quite meet ASA's recommendations, with STI paid entirely in cash rather than 50% being deferred and LTI hurdles being measured over 3 years with a service condition over 4 years rather than hurdles being measured for 4 or 5 years.

But the schemes appear to be working well for all stakeholders and, on balance, ASA will support the Remuneration Report.

Item 3 Resolution 2	Re-election of Robert Millner as a Director
ASA Vote	For

Summary of ASA Position

Robert Millner has been a director of the company for close to 25 years and Chair of the Board for the latter 22 years.

He is Chair of four other companies and a Director of 3 other companies. All these companies are associated with Washington H Soul Pattison and Company Limited.

The ASA considers a person can only effectively manage five directorships and being chair counts for two directorships. On this basis, the ASA believes Robert Millner to be grossly overloaded.

However, with the loss of three directors, gaining a new CEO and NED together with difficult trading conditions, his experience in the position will be needed to ensure matters are handled effectively.

The ASA will support his re-election in this instance.

Item 4 Resolution 3	Election of Jacqueline McGill AO
ASA Vote	For

Summary of ASA Position

Jacqueline McGill's experience appears to meet the New Hope Group Limited requirements for directors Skills Matrix as listed in the Company's Governance Statement.

The ASA accepts that the Board has done appropriate checks into her background as required in the Company's Board Charter.

The ASA welcomes her and looks forward to her contribution to Company in what must be a very difficult period to join.

The ASA supports her election.

Item 5 Resolution 4	Approval of LTI grant to CEO Reinhold Schmidt
ASA Vote	For

Summary of ASA Position

The awarding of 414,056 Performance Rights to Reinhold Schmidt for the period 1 August 2020 to 31 July 2023 (3 years) and a 12 months service condition before vesting whilst not meeting ASA requirements is considered satisfactory.

The number of rights granted is achieved using the LTI maximum opportunity and the five day VWAP price of \$1.3404 per share.

The performance is measured against the ASX 200 Net Return Index (75% weighting) and his personal score card (25% weighting).

The ASA supports this resolution.

Item 6 Resolution5	Amendment of Constitution
ASA Vote	Against

Summary of ASA Position

This resolution is put forward by a group of 113 shareholders with the objective of amending the Company's constitution to enforce the right of shareholders to lodge a resolution at a General Meeting.

It is not clear how such amendment would be worded as the resolution does not specify a clause for inclusion in the Constitution.

Further, the Constitution falls back onto the Corporation Act 2001. This Act appears to satisfactorily meet the enforcement alluded to in the resolution.

The ASA will not support this resolution

Item 7 Resolution 6	Capital Protection
ASA Vote	Against

Summary of ASA Position

This resolution is put forward by a group of 113 shareholders requesting that the company produce a *"plan to limit capital expenditure to only production that is demonstrably viable in a Paris-aligned scenario, and meet the company's obligations for mine rehabilitation, employee wage and entitlement payments, and an employee transition plan."*

The group of shareholders put forward a substantial amount of interesting material that tries to explain why such a plan is needed. For all intents and purposes, the material put forward seems appropriate for the company's risk management process and indeed, the risk management process has alluded to matters of this resolution.

The ASA believes that the Company is suitably armed to meet these risks under their current processes and should be left to do it in their own way.

The ASA will not support the resolution.

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