Australian Shareholders' Association

Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

Focus on growth as risks increase

Company/ASX Code	OZ Minerals (OZL)
AGM date	Monday 15 April 2019
Time and location	10:00am William Magarey Room, Adelaide Oval
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Ken Wakeman assisted by John Worthley & Brad Martin
Pre AGM Meeting?	Yes with Chair Rebecca McGrath and Rem Chair Tonianne Dwyer

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

Summary of ASA Position

Financial performance

Coming after the previous financial year's record performance and an additional $46m of expensed investment, net profit after tax (NPAT) of $222.4m was down 3.8%. Prominent Hill underlying earnings before interest tax depreciation and amortisation (EBITDA) rose 6% to $618m. Operating cash flows were up 31% to $450m; and cash balance was $505m. The cash balance decreased by 30% after capital investment at Carrapateena and the acquisition of Avanco. Fully franked dividends of 23 cps were paid. Share price was down 36 cents and dividends up by 3 cps giving a total shareholder return (TSR) of -1.42%

Key events

During the year OZ Minerals acquired all the shares in Avanco for .085c per share cash and .009 of OZL share for each Avanco share. The cash was funded by from reserves.

Copper and gold production exceeded 2018 guidance;

Prominent Hill mine life was extended to at least 2030 with 50% growth in proved underground ore reserves;

Carrapateena on schedule for first concentrate production in 4th quarter 2019.

Key Board or senior management changes

There were a number of changes to the board. Julie Beeby (appointed 2016) and Peter Tomsett (appointed 2017) all resigned during the year and Charlie Sartain and Marcelo Bastos were appointed. However, Marcelo Bastos resigned in March 2019 to take up a directorship in London.

ASA focus issues

Focus issue	Compliance
Remuneration disclosure: Disclosure of quality information regarding STI performance metrics and actual outcomes as measured against those metrics for the CEO and KMP. Inclusion of a table of actual take home remuneration for the CEO and KMP and use of "market value" rather than "fair value" in calculating LTI grants.	Short-term incentive (STI) performance metrics were improved by the introduction of an equity component (30% of award) with equity subjected to a 2 year lock. Maximum STI opportunities increased to 100% of total fixed remuneration (TFR) for key management personnel (KMP) and 150% for the CEO. Long-term incentive (LTI) performance metrics were improved with AISC (All-in Sustaining Costs) replacing the share price increase appreciation hurdle, although we question the comparison group of companies. Market value was used to determine the number of shares offered as incentive. Other than the CEO, there were no performance rights offered to KMP in CY2018.
Skin in the game: Board and executive alignment with shareholders, including that a non-executive director who has served 3 years on a board should have invested one year's fees in the company's shares and that a CEO should have invested one year's fixed remuneration in the company's shares after 5 years.	**Compliant**: Messrs Dwyer and Wasow were both appointed in 2017 and are on the way to achieving ASA requirement. Other directors are fully compliant.
Board composition: Companies to have an independent chair, a majority of independent directors, only one executive director and boards should be comprised of at least 30% female directors.	**Generally compliant**: Chair is independent and the CEO is the only executive director. Two female non-executive directors (NEDs) comprise 40% of the board.
Fairness in capital raisings: Companies to ensure retail shareholders have adequate time and opportunity to participate equitably in capital raisings and to reduce the extent of any dilution to the holdings of retail shareholders.	Issued capital was increased by the acquisition of Avanco being partly financed by a scrip offer. All existing shareholders were treated equally.

Summary

(As at FYE)	**2018**	**2017**	**2016**	**2015**
NPAT ($m)	222.4	231.1	108.7	130.2
UPAT ($m)	228.3	231.1	134.3	139.6
Share price ($)	8.80	9.16	7.89	4.05
Dividend (cents)	23	20	20	6
TSR (%)	-1.42	18.6	99.8	18.1
EPS (cents)	71.5	77.4	35.7	42.9
CEO total remuneration, actual ($m)	4.60	1.38	1.42	1.43

For 2018, the CEO's total actual remuneration was **53.2 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2018 data from the Australian Bureau of Statistics).

Item 2	**Election of Mr Charles Sartain as a Director**
ASA Vote	**For**

Summary of ASA Position

Mr Sartain was appointed 1 August 2018. He has extensive mining experience including management roles with many large organisations.

He is clearly independent and has already has a significant shareholding in the company.

He has directorships in ASX listed ALS Limited and TSX/NYSE listed Goldcorp Inc.

Mr Sartain's experience is an excellent match for OZ Minerals.

Item 3	**Adoption of Remuneration Report**
ASA Vote	**For**

Summary of ASA Position

Overall the remuneration report is clear, concise and easy to read.

There was a review of remuneration during the year. The hurdle of absolute share price appreciation in calculating the award was removed and replaced by AISC (All-in Sustaining Costs) as a ranking in the lowest quartile of the average published Wood Mackenzie Total Cash Cost + Sustaining Capex (TCPS). The relative TSR performance hurdle has been retained for 70% of the award. Further there was a broadening of the scope of malus and clawback provisions where awards will be reduced to include circumstances that bring the company into disrepute, or any catastrophic environmental or safety incident.

Director’s fees have increased but the aggregate directors’ fee is down on last year due to having 6 directors compared to 7 in 2017.

There have been positive changes to the STI performance conditions with 30% of the award now paid in equity with a 2 year holding lock. Whilst we would like deferred proportion to be 50%, the 2 year lock is a mitigating factor when compared to our suggested 50% deferral for at least 12 months.

We are concerned at the quantum of the KMP remuneration given the size of the company’s operations. The remuneration of the CEO increased substantially. This was partly the result of two LTI’s awards with a combined value of $3.0m (being the 2015 and 2016 LTIs) vesting and being paid in CY2018. But even counting only one of these awards, the CEO’s pay shows a large increase. On balance we are voting in favour.

Item 4	**Approval of LTI grant to CEO/Managing Director Andrew Cole**
ASA Vote	**For**

Summary of ASA Position

It is proposed to grant Mr Cole 138,270 performance rights, based on 150% of his fixed annual remuneration ($850,000) divided by the volume weighted average share price on the 20 trading days from 2 January 2019 (9.211 per share) rounded up the nearest whole number.

The award fails to meet ASA guidelines as the vesting period is only 3 years, however, the award also contains a 2 year lock and as it meets all other guidelines we support the resolution.

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