



Sound performance whilst investing to ensure long term sustainability.

Company/ASX Code	Sydney Airport/SYD
AGM date	Friday 24 May 2019
Time and location	11am Wesley Theatre Wesley Conference Centre, 220 Pitt St Sydney
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Ian Graves assisted by Julieanne Mills
Pre AGM-Meeting?	Yes, with Chantal Travers (Investor Relations)

Item	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position.

Another good year for Sydney Airport with revenue up 6.8%, earnings before interest, tax, depreciation and amortisation (EBITDA) up 7.2%, net operating receipts up 9.4% and distribution up 8.7% as well as continuing capital expenditure investment of \$378.5m.

Governance and culture

It is pleasing to see the addition of a younger female director to the board, expanding age diversity as well as gender diversity. There are now 2 women and 5 men which is slightly below the 30% target. However, the overall female representation has increased to 38.8%

Trevor Gerber has been Chair of Sydney Airport since 2015 and a director since 2002 and we therefore consider that his independence is questionable, even though under the present structure as a listed company he has served only 3 years. In reality he has been in that position 16 years. It has been indicated that succession planning is in hand and board renewal is being worked on.

ASA is pleased to see a new director shareholding policy was announced in February which requires directors to own shares to the value of 1 years' board fees within a 3-year period. Current directors have until December 2021 to comply. ASA would like to see a similar policy for the CEO but acknowledges that the CEO's current shareholding is moving in that direction.

ASA mentioned last year that we would like to see an improvement in the Board Skills Matrix on page 61 as it is too generic and lacks transparency with no disclosure on the numbers of directors with specific skill sets. We again request that the Board improve this aspect of the report.

Financial performance including dividends and shareholder returns

Revenue rose 6.8% \$1.58 billion, profit after tax was up 6.4% to \$371m and dividend increased 8.7% to 37.5c.

Key Board or senior management changes

The renewal process for both the Board and Senior management is continuing. Two directors David Gonski and Abi Cleland were added to the board in 2018. Long serving director Michael Lee announced his retirement in April 2019 as part of the ongoing board renewal. Ann Sherry became Nominations and Remuneration Committee Chair.

A new CEO, Geoff Culbert, commenced in January 2018 replacing the retiring CEO & MD, Kerrie Mather. Other new appointments were: Greg Botham as Chief Financial Officer and Vanessa Orth as Chief Commercial Officer, to oversee the new Non-Aeronautical revenue business.

Key events such as restructures, acquisitions, buy backs and capital raisings

The proceeds of \$796m 10 Year Bond Euro April 2018 and \$400m US private placement 30-year bond October 2018 were used to pay down debt and to cover debt maturity. Net debt is now \$8.4b with cash flow cover ratio up 0.2x to 3.2 times.

Summary

(As at FYE)	2018	2017	2016	2015
Profit before Tax (\$m)	433.5	389.1	320.2	286.1
NOR (\$m) ¹	860.9	787.3	675	577.18
Share price (\$)	6.73	7.05	5.99	6.135
Dividend (cents)	37.5	34.5	31.	25.5
TSR (%)	0.6	23	-1.1	41.
Operating cash flows (cents per security)	38.2	35	30.2	26
CEO total remuneration, actual (\$m)	2.58 ²	2.9	2.6	3.02

The CEO's total actual remuneration was 30 times the Australian Full time Adult Average Weekly Earnings of 85,831 (based on May 2018 data from the Australian Bureau of Statistics).

¹ Net Operating receipts (NOR) provides a proxy for cash flows available to pay ASX -listed Sydney Airport Distributions

² Does not include one off cash & equity payments paid in 2018, plus one off prorated cash & equity due in 2019 compensation for forgone entitlements from his previous employer of \$1,716,865.

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The remuneration is a mixed bag, containing both pluses and minuses.

The long-term incentive (LTI) performance conditions are over 3 years whereas ASA prefers 4 years. It is noted that the stapled securities are purchased on market.

The short-term incentive (STI) has only 20% deferred over a period of 2 years but is paid in cash not shares.

There is no disclosure of actual take home pay in the annual report, only the statutory remuneration disclosure is provided). This is another area of the annual report that ASA would like to see improved. This year 3 of the 4 key management personnel have been recently appointed therefore a close approximation can be made.

The CEO's LTI is comprised of 3 equal tranches:

Monte Carlo simulation and binomial distribution is used to report statutory figures, as is legally required, whereas allocation of the performance rights is carried out using face value of the shares as is noted in the notice of meeting.

- TSR tranche was valued at grant date using the Monte Carlo model
- CPS tranche was valued at grant date using the binomial option pricing model
- Other Tranche will be remeasured each year until vesting as the grant date for this Tranche has not been reached. The conditions for this tranche vest at the board's determination.

Commencing 1 January 2019, the 3 tranches have been reduced to 2 equal Tranches with the Directors Tranche ceasing.

Although ASA has some reservations, on balance we have decided to vote any undirected proxies in favour of this resolution on this occasion. The company will be put on notice that ASA will be looking to a disclosure of **actual** remuneration in the annual report next year, to have a greater proportion of deferral in STI plan and to have the deferred part allocated in equity.

Item 3	Re-election of John Roberts as a Director
ASA Vote	For

Summary of ASA Position

John Roberts was appointed a director of Sydney Airport in 2009 and chairs the Audit and Risk Committee. He was appointed a director of SAL in 2013,

He has been with Macquarie since 1991. He chairs Axicom and is non-executive Chair of Macquarie Infrastructure and Real assets (MIRA).

ASA supports his re-election and will vote any undirected proxies in favour of this resolution.

Item 3	Election of David Gonski AC as a Director
ASA Vote	For

Summary of ASA Position

Mr David Gonski AO was appointed to the board in October 2018. He is a very capable and experienced director, and Chair of ANZ Limited and although his listed company directorship roles are within ASA's guidelines, we note that his roles in the not for profit sector involves a number of commitments, being Chancellor UNSW, President AGNSW Trust, member ASIC external Advisory Panel and Board of Lowy Institute.

We have some concerns when adding in the non-listed entities but note that he has been a non-executive director (NED) for many years and in the past he has had a heavier workload with his listed companies but still been able to meet the needs of organisations where he has served as a NED.

Although having some reservations about his workload ASA supports his election and will vote any undirected proxies in favour of this resolution.

Item 4	Approval of LTI grant to CEO Geoff Culbert
ASA Vote	For

Summary of ASA Position

This resolution calls for the approval for the year commencing 1 January 2019 for allocation to Mr Culbert of 172,719 rights which have been based on the formula of the value of the Rights calculated at 31 December 2018 being \$1,200,000. The rights to be paid in stapled securities were valued based on the volume weighted average share price over 20 trading days, commencing on the date of release of Sydney Airports 2018 results. The performance period is 3 years. The value of the grant will be determined at the end of the 3-year performance period

As the award is based on the 2018 LTI Remuneration plan, which ASA voted in favour of. ASA will vote any undirected proxies in favour of the resolution on this occasion However, the company will be put on notice that ASA will be looking to an at least 4 year performance period being introduced.

Sydney Airport Trust (SAT)¹

Item 1	Election of Eleanor Padman as a Director
ASA Vote	For

Summary of ASA Position

Mrs Eleanor Padman was appointed a Director of The Trust Company (Sydney Airport) Limited on 19 October 2018. She is the Company Secretary of Perpetual Limited and the General Counsel and General Manager of Perpetual's Legal, Compliance and Company Secretariat teams.

She was previously General Counsel and Company Secretary of Pinnacle Investment Management Limited, previously Wilson HTM Investment Group Limited.

Mrs Padman is a lawyer with over 23 years commercial experience gained in Australia and overseas. She is an employee of the parent company of TTCSAL and is not considered independent. The 2 other Directors are considered Independent. ASA supports her election and will vote any undirected proxies in favour of this resolution.

An individual or their associates involved in the preparation of this voting intention has a shareholding in this company.

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