



Voting Intentions – Tassal Group 2021 AGM

ASX Code	TGR
Meeting Time/Date	10.00am, Thursday 28 October 2021
Type of Meeting	Virtual
Monitor	Alan Hardcastle assisted by Chris Lobb
Pre AGM Meeting?	Yes, with Chair Allan McCallum AO

Proposed Voting Summary

2	Adoption of 2021 Remuneration Report	Against
3	Re-election of Georgina Lynch as a Director	Undecided
4	Approval of LTI grant to CEO/Managing Director Mark Ryan pursuant to the 2021 Performance Rights Package	Against

Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	34.62	69.1	58.4	57.3	58.1
Underlying NPAT (\$m)	48.3	64.2	56.6	57.9	64.8
Statutory EPS (cents)	16.3	34	33.01	33.11	37.14
Dividend per Share (cents)	14	18	18	16	15
Share Price at End of FY (\$)	3.58	3.45	4.90	4.13	3.81
Statutory CEO Remuneration (\$m)	0.874	1.263	1.211	1.261	1.248
Total Shareholder Return (%)	0.8	-26	23	12.6	-0.5

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

Summary of Historical ASA Issues with the Company

In recent times, key issues raised with the company include board renewal and succession, clarity and methodology used on remuneration policy/disclosure and capital management. All items of business were approved at the 2020 AGM by shareholders.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The board has an independent non-executive Chair and majority of independent directors.
- The board with 2 females on its 7-member board, is in line with the recommended minimum of 30% female directors.
- Except for 2 directors (see item 3 below), directors and other key management personnel (KMP) have/are investing at least one year's worth of base cash fees in company shares.

- The company has a range of ESG issues or risks facing the business in recent times as the spotlight is shone on the Tasmanian salmon industry as a whole. Increased disclosure has been undertaken via the Sustainability Report as a result.
- Board renewal is advancing with the announcement that long standing Chair Alan McCallum AO is retiring at the AGM to be replaced by James Fazzino who joined the board in 2020.

Areas for Improvement

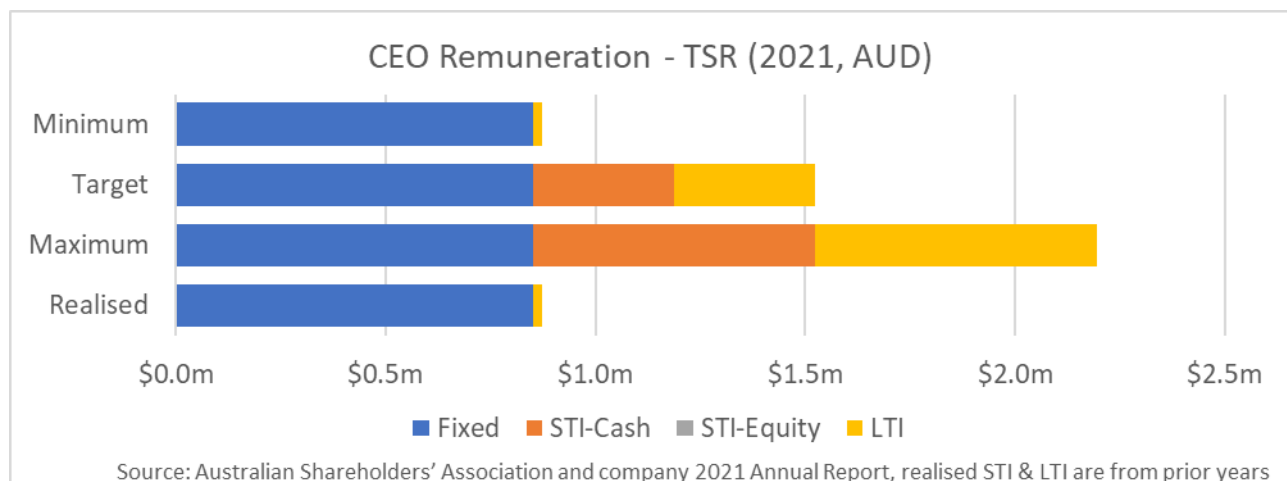
- The company, notwithstanding no short-term incentives (STIs) were paid this year due to the failure to meet the targets set, historically have paid all STIs to executives in cash only. Under ASA policy, 50% should be by equity and the CEO fixed remuneration to also be at least 50% at risk.
- The company needs to disclose a meaningful board skills matrix easily accessible by shareholders.
- Key environmental concerns and plans to address issues raised via the media require further attention and disclosure as this has become a key risk to the future prospects of the business.

Summary

The financial results for FY21 disappointed with reductions in all key metrics, including dividends. The company has pointed to matters outside their control and related to the pandemic as the cause for this underperformance. Their move into prawns to assist with diversification of risk will be significant in future outcomes.

Items for Voting

Item 2	Adoption of 2021 Remuneration Report
ASA Vote	Against



Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

The STI (all paid in cash) is based on targeted net profit after tax (NPAT) outcomes – none of which were achieved in 2021, resulting in no STIs being paid to any executive. The CEO therefore received a statutory remuneration package of \$873,568 in 2021 (2020 - \$1,263,128).

The Company has disclosed in the 2021 Notice of Meeting that the fixed remuneration for the CEO will be increased by 2.5% to \$861,000 for the 2021/22 year. The STI and LTI components of his remuneration will be awarded in the range of 40% to 80% of his fixed remuneration as was the case in 2021, provided he meets targets set.

Positives

- CEO’s target and maximum opportunity of each component is clearly disclosed.
- STIs are based on quantifiable and disclosed performance metrics – NPAT.
- 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 based on two hurdles, being ROA and EPS.
- No retention payment on any awards are subject only to continuing service.
- No termination payments exceed 12 months fixed pay.
- No full vesting in a takeover or “change of control” events.

Areas for Improvement

- At least 50% of CEO’s pay should genuinely be at risk
- At least 50% of any STI should be paid in equity with a minimum 12 month holding lock.
- Share grants should be satisfied by equity purchased on-market.
- LTI hurdles are measured after 3 years not a minimum of four years or more after issue.
- LTI’s should be partly assessed on TSR, with no payment if absolute TSR is negative.
- the remuneration report does not disclose transparently that adjustments have been made to the STI minimum and maximum percentages. For the CEO in 2021 it was increased from a range of 25%-50% previously to 40% to 80%. Also, the amount actually paid to the CEO for the period cannot be identified.

Conclusion on Remuneration

The remuneration structure has some features which align with ASA policy. However, on balance, for reasons stated in the “Areas for Improvement”, Tassal’s remuneration disclosures and structures still fall short in some key areas. ASA therefore propose to vote undirected proxies against the remuneration report again this year, until at least some of these shortcomings are addressed.

Item 3	Re-election of Georgina Lynch as a Director
ASA Vote	Undecided

Ms Lynch has a background in financial services and the property industry. She was first elected to the Board in 2018 and is required to offer herself for re-election at this meeting under the Company’s Constitution. Ms Lynch is considered an independent director. She currently has a heavy workload, being Chairman of Cbus Property and non-executive director at ASX listed entities Waypoint REIT (WPK) and Irongate Group (IAP). Tassal in its “Policy for identification and selection of Directors” has identified competencies to be considered when appointing a director but has not disclosed which of these apply to Ms Lynch.

We also note that Ms Lynch having made an initial investment in the Company of 25,000 shares shortly following her appointment, has not acquired any further interests in the Company. She therefore remains below the Company and ASA policy of encouraging directors hold a minimum one year’s worth of base director fees in shares.

We await her presentation at this year’s AGM to determine if we should support her re-election given this apparent lack of skin in the game.

Item 4	Approval of LTI grant to CEO/Managing Director Mark Ryan pursuant to the 2021 Performance Rights Package
ASA Vote	Against

In line with the company's long-term incentive (LTI) scheme, the company is seeking approval to issue a maximum 186,586 performance rights to its CEO Mark Ryan. That number is predicated on a maximum 80% of his total fixed remuneration in 2022, being \$672,000, divided by the average volume weighted closing price of shares for the three months prior to the start date of 1 July 2021 (\$3.6916).

To receive any of this award, the company must achieve a ROA over the next three years of at least 7% (8% FY20) and/or a compound average EPS growth rate over the same three years of at least 5% (4% FY20). For him to receive the maximum 100%, the company must achieve an ROA over the next three years equal to or greater than 9% (FY20 10%) and a compound average EPS growth rate over the same three years of equal to or greater than 10% (FY20 10%).

ASA proposes to vote undirected proxies against this item for reasons stated under item 2.

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

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