

## Voting Intentions – Treasury Wine Estates 2021 AGM

ASX Code	TWE
Meeting Time/Date	Friday 15 October 2021
Type of Meeting	10am, virtual meeting at <a href="https://web.lumiagm.com/392312757">https://web.lumiagm.com/392312757</a>
Monitor	Rod McKenzie
Pre AGM Meeting?	Yes with Chair Paul Rayner, Company Secretary Kirsten Grey & Bijan Taghian Director Corp Finance

### Proposed Voting Summary

2a	Re-election of Mr Ed Chan as a Director	For
2b	Re-election of Mr Warwick Every-Burns as a Director	For
2c	Re-election of Mr Garry Hounsell as a Director	For
2d	Re-election of Ms Colleen Jay as a Director	For
2e	Re-election of Ms Antonia (Toni) Korsanos as a Director	For
2f	Re-election of Ms Lauri Shanahan as a Director	For
2g	Re-election of Mr Paul Rayner as a Director	For
3	Adoption of Remuneration Report	For
4	Approval of LTI grant to CEO/Managing Director Mr Tim Ford	For

### Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	250.0	245.4	419.5	360.3	269.1
Underlying NPAT (\$m)	250.0	245.4	419.5	365.0	291.9
Statutory EPS (cents)	51.0	40.0	60.4	49.7	36.5
Dividend per Share (cents)	28	28	35	32	26
Share Price at End of FY (\$)	11.68	10.48	14.92	17.39	13.16
Statutory CEO Remuneration (\$)	3.1	3.8	17.6	17.6	15.4
Total Shareholder Return (%)	14.1	-27.6	-12.3	34.5	45.6

*NB FY20 results have been restated following a change to Australian Accounting Standards*

*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.*

For FY21, the CEO's total actual remuneration was **33 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

## Summary of Historical ASA Issues with the Company

ASA raised the issue of the very large remuneration paid to the former CEO&MD. There appeared to be an overly generous salary package coupled with large long-term incentive (LTI) share rewards. The high total remuneration could be partly attributed to the issuance of LTI equity prior to the strong rise in share price over the period 2016 to 2019. The 3 year performance period for equity awards has also been raised on numerous occasions.

## 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 has at least 30% female and at least 30% male directors with diversity of geography and age. There is a good geographical spread of directors with a focus on having directors in their main production / marketing centres (Australia, USA, Hong Kong).
- Directors and other key management personnel (KMP) have/are investing at least one year's worth of base cash fees in company shares, within 3 to 5 years.
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.
- The company discloses a meaningful skills matrix of the board easily accessible by shareholders.

### Areas for Improvement

- Four of the directors have in excess of 10 years service in that role. The subject of board renewal has been discussed with the chairman.

### Summary

The subject of using a 3 year performance period for award of performance rights was discussed with the chairman again this year at the pre-AGM meeting. The ASA prefers a 4 year term – or longer, to align remuneration with shareholders' interests. However, for this current year, ASA supports the remuneration and award of performance rights due to the extreme difficulties faced by management including Covid-19, trade restrictions in the Chinese market and the drought and bushfire issues in California.

## Items for Voting

Item 2a	Re-election of Mr Ed Chan as a Director
ASA Vote	For

Mr Chan was appointed as a non-executive director (NED) in 2012. He is based in Hong Kong and is a member of the Audit & Risk committee. He is currently a director of Hong Kong listed Link REIT and Yum China Holdings. Mr Chan's local knowledge of the Asian market is considered an important asset to TWE. ASA supports his re-election.

Item 2b	Re-election of Mr Warwick Every-Burns as a Director
ASA Vote	For

Mr Every-Burns is an Australian resident and was appointed to the board of TWE in 2011. He is Chair of the Human Resources committee and a member of the Nominations committee. He filled the role as CEO of TWE on an interim basis in 2013-2014. Mr Every-Burns has extensive experience in the

consumer packaged goods sector. He is also a director of the A2 milk company. As he has been a NED for 10 years now, it is considered he is unlikely to move to the role of chair, but his skills and experience are considered valuable to the company. The ASA supports his re-election.

Item 2c	Re-election of Mr Garry Hounsell as a Director
ASA Vote	For

Mr Hounsell is an Australian resident and was appointed to the board of TWE in September 2012. He is chairman of the Audit & Risk committee and a member of the Nominations committee. He brings extensive experience in corporate finance to the board and has extensive experience as a director of large public companies. He is Chair of Helloworld Travel. He was the former chairman of Myer and worked for some time as Myer Executive Chairman during their search for a new CEO. Mr Hounsell was recently appointed chairman of the Commonwealth Superannuation Corporation Limited and is a director of Findex Group Limited. Whilst Mr Hounsell would appear to be fully loaded, he has demonstrated a tremendous capacity to take on multiple roles over many years. The ASA supports his re-election.

Item 2d	Re-election of Ms Colleen Jay as a Director
ASA Vote	For

Ms Jay is based in the United States. She was appointed to the board of TWE in April 2018. She is a member of the Human Resources committee. Ms Jay has extensive experience in the fast moving consumer goods industry and significant global experience. She is currently a NED of The Cooper Company based on the NYSE. Whilst Ms Jay is a bit light on in terms of her TWE shares she has added to her holdings through the year. The ASA supports her re-election.

Item 2e	Re-election of Ms Antonia (Toni) Korsanos as a Director
ASA Vote	For

Ms Korsanos is an Australian resident and was appointed to the board of TWE in April 2020. She is a member of the Audit & Risk Committee. Ms Korsanos was previously CFO at Aristocrat Leisure and also served as Company Secretary from 2011. She had previously been in the fast moving consumer goods area with Goodman Fielder and Kellogg.

ASA had some reservations regarding Ms Korsanos as she is a director of Crown Resorts and a former NED of Webjet Limited. Both these companies have been in the news for all the wrong reasons in the past 2 years. Crown is undergoing an inquiry regarding their operations, their management and issues relating to alleged money laundering. Webjet is a company directly involved with the airline industry and the travel restrictions associated with Covid-19. These issues are likely to take considerable time to resolve. It is noted that Ms Korsanos is to resign as a director of Crown at their upcoming AGM. Ms Korsanos was recently appointed to the board of Scientific Games Corporation – a company listed on NASDAQ. The ASA supports her re-election.

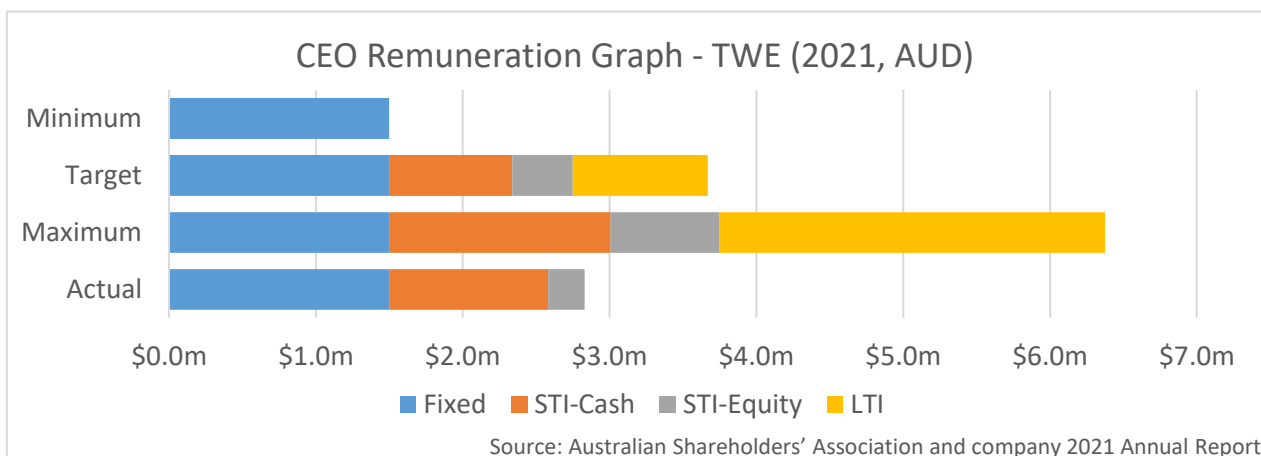
Item 2f	Re-election of Ms Lauri Shanahan as a Director
ASA Vote	For

Ms Shanahan is based in the United States. She was appointed to the board of TWE in November 2016. She is a member of the Human Resources committee. Ms Shanahan has extensive consumer branding, strategy and governance experience. She is currently a director of Cedar Fair Entertainment, Deckers Outdoor Corporation and G Squared Ascend – all listed on the NYSE. The ASA supports her re-election.

Item 2g	Re-election of Mr Paul Rayner as a Director
ASA Vote	For

Mr Rayner is the Chairman of TWE. He was appointed as NED in May 2011 and Chairman in September 2012. Mr Rayner is also a director of Qantas and Boral – both since 2008. Mr Rayner stood down as chair of Boral in July 2021 but remains as a non-executive director (NED). Mr Rayner has extensive experience in the consumer goods sector and was previously Finance Director of British American Tobacco based in the UK. Whilst Mr Rayner has been a director of TWE for 10 years now, it is felt that board stability and guidance for the new CEO is important during these difficult times. The ASA supports his re-election.

Item 3	Adoption of Remuneration Report
ASA Vote	For



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.

Note: No STI awards were paid for FY20. The Actual amounts for the CEO shown above relate to the FY21 cash award payment paid early in FY22. The short term incentive (STI) equity awards relate to vesting of prior years' awards following the 1 or 2 year withholding period.

Fixed remuneration was scaled back for the incoming CEO Tim Ford compared to the former CEO. Fixed remuneration for all executives was frozen through FY21 due to the difficult trading conditions. A 5% increase for Mr Ford was granted effective September 2021.

**Positives**

- The CEOs' target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package does not exceed the Godfrey Remuneration Group report benchmarks.

- The quantum of Board fees do not exceed the Godfrey Remuneration Group report benchmarks for a company of this size.
- At least 50% of CEOs' pay is genuinely at risk, however STIs can exceed fixed remuneration.
- The majority of STIs are based on quantifiable and disclosed performance metrics and, where non-financial hurdles are used, no STIs to be paid unless a financial gateway is met.
- 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 at least two hurdles, one of which is TSR.
- No LTI awards based on comparator groups vest unless performance is greater or equal to the 50th percentile.
- All share grants are allocated at face value not fair value.
- Share grants are satisfied by equity purchased on-market.
- Hurdles based on earnings are based on statutory earnings.
- Sign-on benefits are deferred equity base payments which vest upon meeting three-year or more performance hurdles.
- No retention payment on any awards are subject only to continuing service.
- No termination payments exceed 12 months fixed pay.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

#### Areas for Improvement

- Readability of the Annual Report could be improved.
- Inclusion of a table of "Actual" remuneration has been discussed at the pre-AGM meetings over several years. ASA will continue with this request.
- Only 33% of STIs are paid in equity with a one half of these subject to a 12 month holding lock and the balance subject to a 24 month holding lock. ASA would prefer 50% of STIs be paid in equity.
- LTI hurdles are measured a minimum of three years after issue. ASA has raised this many times in the past and this has usually led to a vote against the REM report.

#### Conclusion on Remuneration

On balance, ASA supports the remuneration report this year due to the several key issues impacting the company. There were no STI awards paid in FY21 for the FY20 period. LTI awards have not met performance criteria for two years in a row (FY18 & FY19) – largely due to factors outside the direct control of management. With the change of CEO at the start of FY21, fixed salaries and reward levels for executives have been adjusted downwards. During this time, management have stepped up to secure additional marketing opportunities and restructured the business to place it on a better footing to face these challenges.

Item 4	Approval of LTI grant to CEO/Managing Director Mr Tim Ford
ASA Vote	For

CEO/MD Tim Ford has been offered a maximum of 240,171 performance rights as part of his FY22 package. The LTI opportunity is \$2.625m based on the notional share price of \$10.93 at 1 July 2021. This is equivalent to 175% of his Fixed remuneration. The share price was determined using a 90 day VWAP up to and including 30 June 2021.

- 25% of the performance rights (60,043) will be measured against relative TSR
- 75% of the performance rights (180,128) will be subject to measurement against ROCE – Return on Capital Employed.

The performance period is from 1 July 2021 to 30 June 2024. Details of the vesting schedules are presented in the 2021 Notice of Meeting.

Whilst ASA would prefer a 4 year vesting period for LTI awards, it is felt that in these difficult times, a 3 year period will provide an adequate performance period.

### **Monitor Shareholding**

*The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.*

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