



Voting Intentions – Uniti Group 2021 AGM

ASX Code	UWL
Meeting Time/Date	10:30am, Friday 26 November 2021
Type of Meeting	Virtual at https://ccmediaframe.com/?id=xih3Cs4r
Monitor	John Whittington, assisted by Mike Robey
Pre AGM Meeting?	Yes, with Chair Graeme Barclay and Company Secretary Ashe-lee Jegathesan

Proposed Voting Summary

1	Adoption of Remuneration Report	Against
2a	Re-election of Graeme Barclay as a Director	For
2b	Re-election of John Sands Lindsay as a Director	For
3a	Approval of the issue of Share Rights to Michael Simmons	Against
3b	Approval of the issue of Share Rights to Vaughan Bowen	Against

Key Financials

	2021	2020	2019
Statutory NPAT (\$m)	29.2	15.9	(13.5)
Underlying NPAT (\$m)	53.4	15.2	(7.0)
Statutory EPS (cents)	4.81	5.81	(11.61)
Dividend per Share (cents)	0	0	0
Share Price at End of FY (\$)	3.31	1.42	1.70
Statutory CEO Remuneration (\$)	1.691	0.934	0.693
Total Shareholder Return (%)	133	(16)	186

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

The company listed in July 2019 and this is the first time the ASA has engaged with the company.

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

Positives

- The board has an independent non-executive Chair and majority of independent directors.
- Directors and other key management personnel (KMP) have excellent “skin in the game” or shareholdings.

- Of the two recent capital raisings, the first was a non-renounceable rights issue with “overs” so, whilst not ideal, better than most.

Areas for Improvement

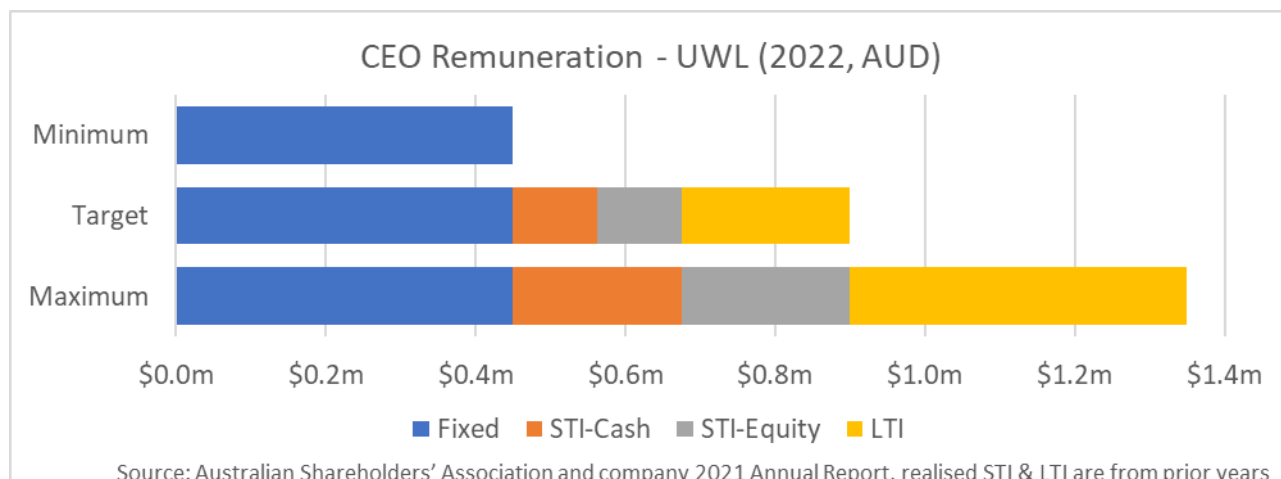
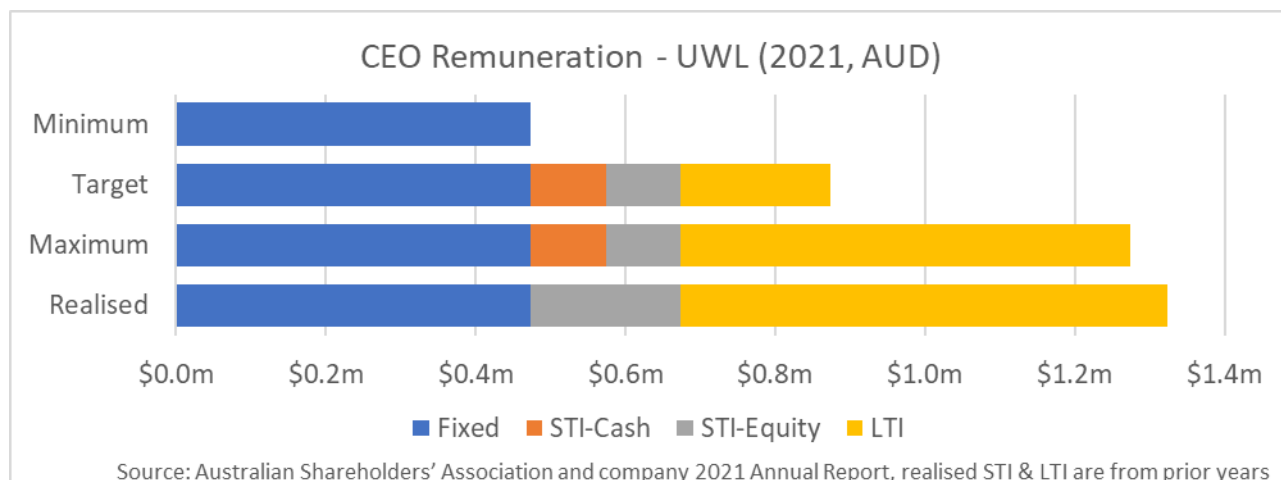
- Of the two recent capital raisings, the second was a placement, followed by a share purchase plan for retail shareholders which was seven times oversubscribed.
- On the board, only one of the five directors is female and there does not seem to be a lot of other diversity.
- Whilst some ESG issues or risks facing business and the processes to manage them are disclosed, they could do better.
- The company does not have a meaningful skills matrix of the board accessible by shareholders.

Summary

The company has very similar governance issues to many companies that have transitioned from a private company to a public company following an IPO. These need to be addressed and the company seems to be doing so over time.

Items for Voting

Resolution 1	Adoption of 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. * FY21 remuneration does not include \$366,667 pay deferred from FY20.

The company's remuneration also has issues due to it previously being a private company, having recently gone through an IPO, and having executives who have significant shareholdings. So the remuneration plan in FY22 will be different to FY21 and this is shown in the two charts above.

Positives

- CEO's actual take-home remuneration and target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package does not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- At least 50% of CEO's pay is genuinely at risk, with short-term incentives (STIs) equal or less than fixed remuneration.
- The majority of STIs are based on quantifiable and disclosed performance metrics.
- At least 50% of STIs are paid in equity.
- Clear disclosure is provided for all KMP performance hurdles, and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- FY22 long-term incentive (LTI) hurdles are based on at least two hurdles, one of which is TSR.
- Comparator group is the ASX200 excluding resources.
- FY22 LTI awards based on comparator groups do not vest unless performance is >50th percentile.
- All share grants are allocated at face value not fair value.
- No termination payments exceed 12 months fixed pay.

Areas for Improvement

- The quantum of director fees, when reissued options are included, considerably exceed the 75th percentile of Godfrey Remuneration Group report benchmarks for similar sized (\$1.5-3bn market capitalisation) companies.
- FY21 LTI (called "deferred equity incentives") have no hurdles other than retention.
- STI paid as equity has no holding lock.
- FY22 LTI hurdles are measured over only three years.
- FY22 LTI awards can vest if absolute TSR is negative.
- Hurdles are based on earnings are based on underlying, not statutory, earnings.
- Share grants are satisfied by newly issued equity which dilutes existing shareholders.
- Vesting in a takeover or "change of control" is purely at the discretion of the board.
- The remuneration report's readability, transparency, and understandability could be improved – it was very difficult to get the key information pertinent to this document out of it.

Conclusion on Remuneration

There are many things we like about Uniti's remuneration plan. For FY21 and beyond, the level and structure of executive pay is generally reasonable although we do have concerns about some issues listed above.

Our two biggest concerns though are:

- Director fees which seem way too high and, in perception rather than in law, breach the director fee cap which was set only last year. We have discussed this with the company and they claim this is only due because they have reissued IPO options to account for the dilution of the recent equity raisings. Given that we have not experienced reissuing like this from other companies and that shareholders were diluted too without any "adjustment" then this argument does not wear with us. IPO options should have been let run as originally issued.

- FY21 LTIs which have no performance conditions after 30 June 2021 other than continued employment.

We therefore believe that the negatives outweigh the positives and cannot support this year’s remuneration report. If there are no director options issued or re-issued next year, the FY22 plans are implemented, and some of our other concerns are addressed, then it is reasonably likely we would support next year’s report.

Resolution 2a	Re-election of Graeme Barclay as a Director
ASA Vote	For

Mr Barclay, who has a background in chartered accounting and senior management in professional services, corporate finance, investment banking, broadcast, telecommunications, and digital infrastructure, was appointed to the board in September 2018. He has a shareholding which considerably exceeds his FY21 remuneration and is independent.

He is a non-executive director of one ASX listed company (Codan) and one private company (Axicom). We do not consider his workload excessive.

Whilst concerned about the lack of diversity on the board, we believe that Mr Barclay is well qualified and is likely to contribute to the board and will support his election.

Resolution 2b	Re-election of John Sands Lindsay as a Director
ASA Vote	For

Mr Lindsay, who has worked extensively in the technology industry, including as Chief Technology Officer at iiNet and Transgrid Telecommunications, joined the board in May 2018. He has a shareholding which considerably exceeds his FY21 remuneration and is independent.

He is a non-executive director of one ASX listed company (Redflow) and a number of private companies. We do not consider his workload excessive.

Whilst concerned about the lack of diversity on the board, we believe that Mr Lindsay is well qualified and is likely to contribute to the board and will support his election.

Resolution 3a	Approval of the issue of Share Rights to Michael Simmons
ASA Vote	Against

This, unusually, is a backwards looking approval for the issue of equity associated with the FY21 plan where the performance period was 1 July 2020 to 30 June 2021. This positives and areas for improvement of this plan are outlined above under resolution 1.

Whilst we do not have significant concerns (other than the lack of a holding lock) about the “non-deferred equity” (effectively an STI) part of this award, we cannot support the “deferred equity” (effectively an LTI) which has no performance conditions after 30 June 2021 other than continued employment.

Therefore we will vote undirected proxies against this item.

Resolution 3b	Approval of the issue of Share Rights to Vaughan Bowen
ASA Vote	Against

For the same reasons as item 3a, we will vote undirected proxies against this item.

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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