

Voting Intentions – Incitec Pivot Ltd 2021 AGM

ASX Code	IPL
Meeting Time/Date	10am, Friday, 17 December 2021
Type of Meeting	Virtual
Monitor	Peter Aird assisted by Chris Lobb
Pre AGM Meeting?	Yes, with Chair Brian Kruger NED Greg Robinson (Chair Remuneration committee) and Company Secretary Richa Puri

Proposed Voting Summary

2	Election of Ms Tonianne Dwyer as a Director	For
3	Re-election of Mr Bruce Brook as a Director	For
4	Adoption of Remuneration Report	For
5	Approval of LTI grant to CEO/Managing Director Ms Jeanne Johns	For
6a	Amendment to the constitution	Against
6b	Paris aligned carbon emissions targets (Conditional on 6a being passed)	Against

Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	149.1	123.4	152.4	207.9	318.7
Underlying NPAT (\$m)	358.6	188.2	152.4	347.4	318.7
Statutory EPS (cents)	7.7	7.1	9.5	12.5	18.9
Dividend per Share (cents)	9.3	0	4.7	10.7	9.4
Share Price at End of FY (\$)	2.95	2.03	3.39	3.98	3.60
Actual CEO Remuneration (\$)	2.14	1.65	2.77	1.6	2.4
Total Shareholder Return (%)	50.0	(40.1)	(13.1)	13.5	27.9

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is an unaudited figure including impairments and write-offs 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

ASA voted against the Remuneration report in 2020 due to the one off (and not previously flagged) substantial cash bonus awarded to the President of Incitec Pivot Fertilizers (Mr S. Titze).

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, age, and ethnic background.
- Directors and other key management personnel (KMP) have/are investing at least one year's worth of base cash fees in company shares, within 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.

Summary

Details of the operation and governance of the Board are provided in the annual Governance Statement which is comprehensive.

Items for Voting

Item 2	Election of Ms Tonianne Dwyer as a Director
ASA Vote	For

Ms Dwyer was appointed to the Board in May 2021. She has legal qualifications and experience in investment banking, funds management and real estate during a 23 year executive career. She is also a non-executive director of 4 other ASX businesses (eg Dexus Property, OZ Minerals), is a Deputy Chancellor of the University of Queensland and a director of the Sir John Monash Foundation.

ASA expressed concern over her workload but were assured by the Chair that she “was making a valuable contribution to the board and bring experience from other boards”. Her contribution on people/culture elements was noted. She is a member of the board's Audit and Risk Management and Remuneration committees.

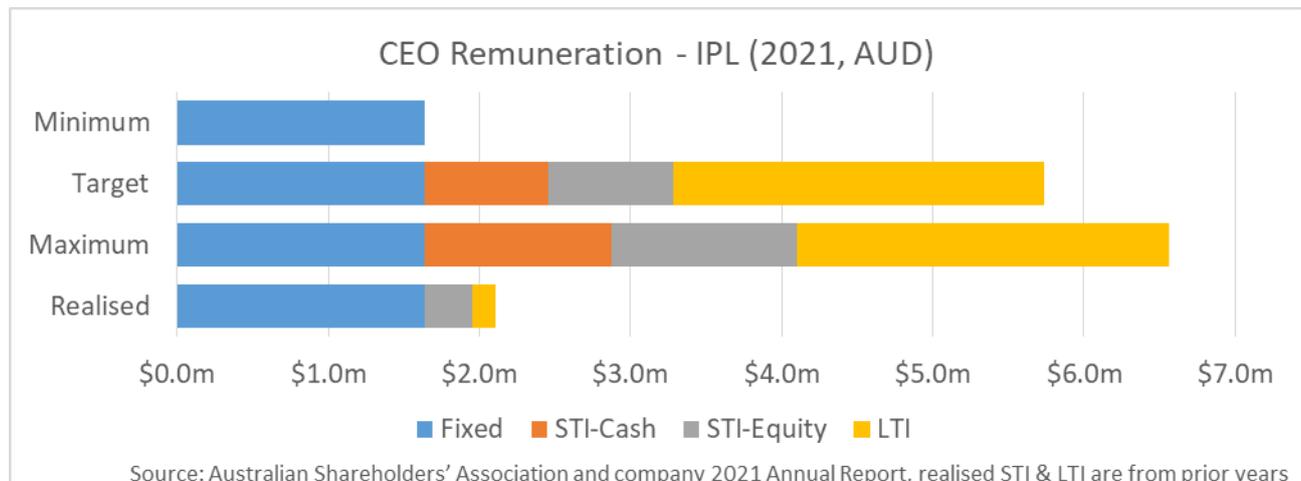
Given that her workload is just within ASA guidelines and her background and experience are valued by the Board, her election can be supported.

Item 3	Re-election of Mr Bruce Brook as a Director
ASA Vote	For

Mr Brook was appointed as a director in 2018. He is currently a director of CSL Ltd, Djerriwarrh Investments and Newmont Mining Corp. He has a professional background as CFO of Western Mining Corp Resources Ltd, as Chair of WMC's fertilizer distribution business and as Deputy CFO of ANZ Bank, gaining exposure to industries including mining, finance, manufacturing and chemicals in Australia, US, UK and Africa. He is Chair of the Board's Audit and Risk committee and a member of the Remuneration and Nomination committees.

His extensive experience in relevant industries and across international markets indicate that ASA should support his re-election.

Item 4	Adoption of Remuneration Report
ASA Vote	For



Positives

- CEO's actual take-home remuneration, as well as the 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.
- The quantum of Board fees do not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- At least 50% of CEO's pay is genuinely at risk.
- Majority of short-term incentives (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.
- STI is paid partly as restricted shares until a minimum shareholding for each Executive is achieved.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- Long-term incentive (LTI) hurdles are based on at least two hurdles, one of which is total shareholder return (TSR).
- Comparator groups are from similar industries and include key competitors and any relevant foreign companies.
- No LTI awards based on comparator groups vest unless performance is >50th percentile.
- All share grants are allocated at face value not fair value.
- Share grants are satisfied by equity purchased on-market.
- Hurdles are based on statutory earnings.
- 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

- Once executives reach their minimum shareholding (CEO 100% of fixed annual remuneration (FAR), others 50% of FAR), the STI becomes 100% cash, with no holding of the award. The

current CEO received 100% of her FY2021 STI in cash due to her personal shareholding exceeding the prescribed minimum holding.

- The LTI performance conditions are measured after 3 years.
- There is no TSR gate on LTI payments.
- Full vesting of rights in a takeover or “change of control” events may be allowed.

Conclusion on Remuneration

The remuneration structure has high at risk components with appropriate hurdles and gates, with STI payments part in equity until a minimum shareholding is reached. The Chair has committed to reviewing all cash payment of STI once executives reach the defined minimum holding. The LTI timing is not the ASA preferred 4+ years but is typical of similar companies. The addition of ESG conditions to both the STI and LTI ensure that the company’s significant objectives in this area receive appropriate executive attention. Therefore, on balance, the ASA can support the remuneration report.

Item 5	Approval of LTI grant to CEO/Managing Director Jeanne Johns
ASA Vote	For

The introduction of an ESG component to the LTI grant makes the company’s intent on greenhouse gas reduction clear, whilst maintaining a high financial content (75% of total). The TSR component is in line with ASA guidelines and the return on invested capital (ROIC) component is described as challenging. The non-financial measures are well focussed on the key business strategies.

On this basis, ASA will support this Grant.

Item 6a	Shareholder Resolution for Amendment to Constitution
ASA Vote	Against

This resolution aims to simplify the process for shareholders to place ordinary resolution on the agenda of the AGM. At present, a special resolution is generally required to amend the company’s constitution to allow shareholders to make ordinary resolutions. It requires a 75% majority to pass. This special resolution has been drafted to limit the advisory resolution to “issues of material relevance to the company” and that 100 shareholders are still required to support any advisory resolution, ensuring that only significant items are raised.

The board has argued that there are already a number of opportunities for it to be informed of shareholders views, including its investor relations program, investor briefings and questions presented at the AGM. IPL’s previous AGM’s show that it is prepared to respond to shareholder questions about how it is conducting its business.

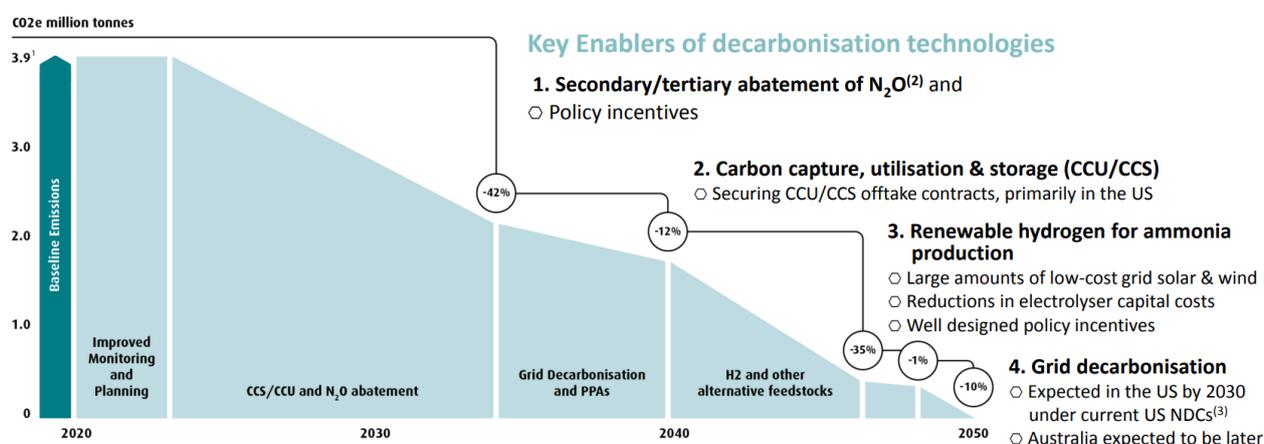
On the basis that ASA believes that the effect of the resolution is unnecessary, it will vote against it.

Item 6b	Shareholder Resolution – Paris aligned targets
ASA Vote	Against

This resolution will only be put if 6a is passed.

IPL have released substantial information on their intent to reduce greenhouse gas emissions in their 2021 Climate Change Report, with near term targets (2025, 2030) as well as a clear path to achieve their “Ambition” of net zero emissions by 2050 (see below). They note that the Paris target straight line reduction in emissions would make 2030 targets unrealisable. The logic for this path has also been made clear. The company continues to be in discussion with the shareholders who have introduced this resolution.

On this basis, ASA believes that the resolution is unnecessary and will vote Against if the resolution is put.



Monitor Shareholding

The individual involved in the preparation of this voting intention has a shareholding in this company.

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