

Voting Intention Report 2023 - Continued Premiumisation of Luxury Brand

Company/ASX Code	Treasury Wines Estate
AGM time and date	10am, Monday, 16 October 2023
Location	Grand Hyatt, 121 Collins Street, Melbourne, 3000 and online
Registry	Computershare
Type of meeting	Hybrid
Monitor	Katja Bizilj assisted by John Whittington
Pre-AGM Meeting	Yes, with Chair, Paul Rayner, Director (incoming Chair), John Mullen, Global Director of Sustainability Michael Parks, and Senior Investor Relations Manager Melinda George on 15 September 2023

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2a	Re-election of Mr Ed Chan as a Director	For
2b	Re-election of Mr Garry Hounsell as a Director	For
2c	Re-election of Ms Colleen Jay as a Director	For
2d	Re-election of Ms Antonia Korsanos as a Director	Undecided
2e	Election of John Mullen as a Director	For
2f	Re-election of Ms Lauri Shanahan as a Director	For
3	Adoption of the Re-numeration Report	For
4	Grant of Performance Rights to the Chief Executive Officer	For

2. Summary of Issues and Voting Intentions for AGM

- Reasonable financial performance considering another challenging year with bushfires in the US and on-going China trade restrictions.
- Annual Report and Remuneration Report not clear and difficult to source some information. It does not include a table of Actual Remuneration. Remuneration quantum and structure generally align with ASA guidelines.
- The ASA continues to be disappointed the company doesn't include 5 years of financial data in their Annual Report though this is available in their Fact Book. ASA is disappointed TWE does not include a genuine board skills matrix.

ASA intends to vote open proxies for all resolutions.

3. Matters Considered

Accounts and reports

A reasonable financial performance considering TWE's recent challenges due to COVID-19 and the ongoing closure of the Chinese market. During 2023 TWE continued solidifying re-alignment of their business strategy (ie. continued focus on premium and luxury brands, diversification of geographical supply and further inroads into European markets). Reported earnings per share (EPS) decreased slightly from 36.5 cps in FY22 to 35.3 cps in FY23. Dividends increased from 28c (FY22) to 34c (FY23) – fully franked. TSR increased. Market capitalisation decreased by 1%.

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	254.5	263.2	250.0	245.4	396.9
UPAT (\$m)	330.3	298.2	316.1	271.7	396.9
Share price (\$)	11.23	11.35	11.68	10.48	14.92
Dividend (cents)	35	31	28	28	38
Simple TSR (%)	2.0	-0.2	14.1	-27.9	-12.0
EPS (cents) reported	35.3	36.5	34.7	34.1	55.2
CEO total remuneration (statutory) (\$m)	4.67	3.70	3.18	7.84	11.39

Simple TSR is calculated by dividing change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

(Note: Mr Tim Ford replaced Mr Michael Clarke as CEO in July 2020).

Governance and culture

TWE's governance appears good with the company meeting most ASA guidelines. There are some questions with regards to transparency of payments to political parties / organisations and board skills matrix.

TWE's Remuneration report is not simple to interpret with some data being difficult to source. The Annual Report does not include financial data for 5 years (ASA's preference) though this is available in TWE's Fact Book. ASA has requested this data be included in the Annual Report for some years.

Despite prior requests from ASA, TWE continues to not provide a genuine board skills matrix providing only a table with self-assessments. ASA will continue asking the company for same. It is difficult for shareholders to assess if there are risks due to insufficient specialist skills on the board (we suspect not but need a genuine matrix to be sure). This matter was raised with the Chair at the pre-AGM meeting with the Chair advising TWE would consider the request.

TWE's policy regarding payment to political areas / organisations is not clear. Governance documents contain guidelines and policy prohibiting staff from "..... making political, charitable or community donations which are contrary to TWE's Government Engagement Policy or TWE's Charitable Donations Guidelines....." but the information does not state what these include (for example attendance at political fund-raisers). No further information is included in the Annual Report or Fact Book. ASA will ask for better disclosure in this area.

TWE has a majority of independent directors. Following the upcoming AGM, there will be 2 men and 3 women directors – excluding the MD&CEO. TWE's Directors are a good mix of tenure, gender diversity and geographical basing noting their business – 2 are based in the US, 1 is based in Hong Kong and 2 are based in Australia. TWE is active in ensuring continuing of corporate knowledge and has a succession plan.

TWE conducted an external auditor tender in 2023 with KPMG (their current external auditor since 2012) being awarded the bid. PwC are independent advisors to HRC committee with regard to REM with the contract being reviewed annually. During the pre-AGM meeting the company noted they have no concerns due to PwC's recent issues. TWE's governance documents are clear regarding terms of appointment and review of external auditor.

The workload of all Directors is acceptable.

Key events

TWE's strategic focus remains on global diversification and innovation in premium and luxury markets. This included divestiture and/or rationalisation of selected assets including the closure of Victorian manufacturing with the closure of Karadoc winery, the write down of several commercial wine brands and the divestiture of commercial vineyards.

Further expansion of winemaking and vineyard assets is underway in France with the completed acquisition of the Chateau Lanessan in the Bordeaux area.

Key board or senior management changes

Non executive director Warwick Every-Burns retired at the end of the FY22 AGM.

Mr John Mullen (director since 1 May 2023) will take over from Paul Rayner as Chairman at the end of FY23 AGM.

The company announced the retirement of Matt Young, Group Chief Financial Officer (Group CFO) and the appointment of Stuart Boxer to the role of Chief Financial & Strategy Officer (CF&SO) effective 1 November 2023.

Sustainability/ESG

TWE reports against the Taskforce for Climate-related Financial Disclosures (TCFD) framework and has developed short and medium term (but has yet to do same for long term) targets. The company provides comprehensive sustainability reports which allow shareholders to make an informed decision about these matters.

4. Rationale for Voting Intentions

TWE has a policy of having all directors re-nominate for election at each AGM.

Resolution 2a Re-election of Mr Ed Chan as a director (for)

Mr Ed Chan, who began his career as a consultant with McKinsey & Co, is resident of, and based in Hong Kong, and was appointed to the board in 2012. He was President and CEO of Wal-Mart China from 2006 to 2011 and since then has been a director or partner of a number of organisations. We consider him independent.

He has a shareholding equivalent to over 200% of his expected annual remuneration.

Since 2016 Mr Chan has been a Director of Hong Kong based listed LINK REIT. We do not consider his workload excessive. TWE's has factored in Mr Chan's longevity on the board in its succession planning.

We believe Mr Chan is well qualified, can contribute corporate knowledge and relationship experience to the board and we support his re-election.

Resolution 2b Re-election of Mr Garry Hounsell as a director (for)

Mr Garry Hounsell, who has held senior positions at both Ernst & Young and Arthur Anderson, was appointed to be board in 2012 and has extensive experience in the service and retail industry. He has a shareholding equivalent to almost 400% of his expected annual remuneration. He is a former Chair of PanAust, Myer, and Spotless, and a former director of Qantas, Integral Diagnostics, and Dulux. We consider him independent.

He is currently Chair of listed companies Helloworld Travel and Electro Optic Systems, as well as unlisted Hiro Brands, and the Commonwealth Superannuation Corporation. Mr Hounsell is also a Director of the unlisted Findex Group. We do not consider his workload excessive.

TWE's has factored in Mr Hounsell's longevity on the board in its succession planning.

We believe Mr Hounsell is well qualified and can contribute to the board and we support his re-election.

Resolution 2c Re-election of Ms Colleen Jay as a director (for)

Ms Colleen Jay, who has extensive experience in the fast-moving consumer goods industry at Procter & Gamble, is a US resident and US based. She was appointed to the board in 2018 and we

consider her independent. She has a shareholding equivalent to approximately 130% of her expected annual remuneration.

Ms Jay has extensive experience in global environments in strategy creation, brand building, transformational innovation and business development in the consumer goods industry.

She is currently a director of the US listed Cooper Companies and Beyond Meat. We do not consider her workload excessive.

We believe Ms Jay is well qualified and her diversity of global experience contributes to the board and we support her re-election.

Resolution 2d Re-election of Ms Antonia Korsanos as a director (undecided)

Ms Antonia Korsanos, a Chartered Accountant with experience in finance, strategy, global supply chain, and M&A, is based in Australia. She was appointed to the board in 2020 and we consider her independent. She has a shareholding of approximately 75% of her expected annual remuneration which is below ASA's expectation of 100%.

Ms Korsanos is currently Chair of US listed SciPlay Corporation and an Executive Vice Chair of US listed Light and Wonder Inc.

Her prior appointments include director of Crown Resorts, Ardent Group and Webjet.

We believe Ms Korsanos is well qualified and can contribute to the board. However, ASA remains undecided with respect to Ms Korsanos workload due to her position Light and Wonder Inc and is awaiting further information from TWE before we finalise our decision.

Resolution 2e Election of Mr John Mullen as a director (for)

Mr John Mullen was appointed to the board on 1 May 2023. Mr Mullen will take over from Paul Rayner as Chairman at the end of FY23 AGM. He has no shareholdings, having just been appointed, however we expect this to increase in the next few years. We consider him independent.

Mr Mullen has extensive experience in international transportation and logistics being a former CEO of Asciano, DHL Express, Toll Holdings and TNT Express Worldwide.

He is a current Chair of three companies (Telstra Group Ltd, Brambles Ltd and non-listed NMM), and director of Brookfield Infrastructure Partners L.P. He intends standing down from Telstra with effect from 17 October 2023. We do not consider his workload is excessive.

We believe Mr Mullen is well qualified and can contribute to the board and support his election.

Resolution 2f Re-election of Ms Lori Shanahan as a director (for)

Ms Lori Shanahan, who has held senior executive positions with The Gap, a US retailer, is a US resident and US based, and was appointed to the board in 2018. She has a shareholding of approximately 100% of her expected annual remuneration. Ms Shanahan has extensive service sector, sustainability, governance and consumer brand experience. We consider her independent.

She is currently a director of US listed Deckers Outdoor Corporation and CAVA Group Inc. We do not consider her workload is excessive.

We believe Ms Shanahan's breadth of US based experience contributes to the board. She is well qualified, and we support her election.

Resolution 3 Adoption of Remuneration Report (for)

The company does not include a table of Actual Remuneration, although ASA has requested this for several years. The remuneration report is not easy to read and would be greatly simplified by inclusion of a table of Actual Remuneration.

TWE's remuneration comprises a mix of fixed salary, short term incentives (STIs) and long term incentives (LTIs). For the CEO, the split is approximately 1/3 each at target levels.

STI is paid as a mix of cash ($\frac{2}{3}$ of total STI) and equity ($\frac{1}{3}$ of total STI). One half of the equity component is restricted for 12 months, the other half is restricted for 2 years.

LTIs are measured over a 3 year period from 1 July 2019 to 30 June 2022. For the CEO, the LTI maximum opportunity is 175% of Fixed Remuneration. This is measured against two hurdles – 25% based on Total Shareholder Return (TSR) 75% based on Return on Capital Employed (ROCE).

Note that last year TWE announced, for FY23 onwards, a third measure (Earning per Share (EPS)) would be considered for the LTI performance calculation, it becoming:

- 20% of the Performance Rights (PRs) will be based on Total Shareholder Return (TSR)
- 40% of the PRs will be based on Return on Capital Employed (ROCE) and
- 40% of the PRs will be based on EPS.

The quantum (ie \$ amount) of the awards are in line with similar companies.

LTIs did not vest in FY22 for the third year in a row due to ROCE not being achieved. Hence Board discretion was exercised with a final decision to award 92% of the ROCE component (75% component of LTI) of LTI this year.

This appears a high percentage for discretionary award and its calculation was questioned by ASA with key TWE staff. The Chair advised the figure was calculated using data (readily available) previous to the Chinese Ministry of Trade (MOFCOM) effective ban on Australian produce which noted approximately 35% of TWE's profit was from the Chinese market (25% if you consider some was re-allocated). TWE then extrapolated what profit would have been achieved had the MOFCOM ban not occurred - result was a ROCE benchmark of 15.2 % (versus the 11.3% under the MOFCOM ban). The method of calculation is not included in the Annual Report. Given current business climate (and cognisant no LTIs vested for last three years), ASA considers Board's discretion for amount of award of LTIs for this year as reasonable.

The Chair also noted “....should the MOFCOM decision be reversed, TWE will adjust ROCE benchmarks up” indicating goodwill and intention for “fairness” in regards CEO not benefitting at a later time from the adjustment of ROCE benchmark in 2023.

In conclusion, we believe the level of remuneration is not excessive and the incentives are generally aligned with shareholders expectations. However the report is not clear or easy to understand for certain sections and some information is difficult to find. We will continue requesting for this to be addressed by the company. Nevertheless, we will be supporting the report.

Resolution 4 Grant of performance rights to the Group CEO Tim Ford (for)

Mr Ford will be offered a maximum number of 234,630 performance rights as his FY24 LTI. The number of performance rights has been calculated by dividing Mr Ford's LTI opportunity of \$2,924,107 (being 175% of his fixed remuneration as at the time of grant) by a notional market price of \$12.4626 per share. The structure of this is described above.

The market price of Shares was calculated by reference to the volume weighted average price over the 90-day period up to and including 30 June 2023.

We believe the level of award is not excessive and is aligned with shareholders expectations so will support this grant.

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Appendix 1

Remuneration framework detail

CEO Rem framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.622	35	1.622	22
STI - Cash	1.081	23	1.947	26
STI - Equity	0.541	12	0.973	13
LTI	1.419	30	2.839	38
Total	4.664	100%	7.381	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*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. Some remuneration framework set a maximum opportunity amount, but not all.