Australian Shareholders' Association

Australian Shareholders' Association Limited
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Post-COVID difficulties continued, improvements in medium term

Company/ASX Code	**Ansell/ANN**
AGM time and date	**9.00am, 24 October 2023**
Location	Park Hyatt, 1 Parliament Square, Melbourne
Registry	Computershare
Type of meeting	Hybrid (via Computershare)
Monitor	Peter Aird assisted by Michael Middleton
Pre-AGM Meeting	Yes, with Chair John Bevan, Nigel Garrard (NED, Chair HR Committee), Michael Evans (Senior Director, IR & Corporate M&A), Catherine Stribley, VP Corp Gov & Social Responsibility and Company Secretary

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 Nigel Garrard as a Director	For
2b	Re-election of Ms Christina Stercken as a Director	For
2c	Re-election of Mr Willian Reilly as a Director	For
2d	Election of Ms Debra Goodin as a Director	For
3	Grant of Performance Share Rights to Mr Neil Salmon, MD and CEO	Against
4	Increase in maximum aggregate remuneration available to Non-Executive Directors	For
5	Remuneration report	For

2. Summary of Issues and Voting Intentions for AGM

- Disappointing financial performance and near term outlook.
- Long Term Incentive measures and value outside ASA guidelines.

3. Matters Considered

Accounts and reports

The heavy stocking of items by Ansell's customers during Covid is still affecting sales into the Healthcare markets, with Group sales down 15% and Healthcare sales down 20%, although the strength of the $US also had a significant impact on reported results. Ansell believe a change in strategy to further automate production (particularly packaging which is currently labour intensive), will improve their capacity to accommodate increased demand and will lead to improved performance in the medium term.

Financial performance

(As at FYE)	**2023**	**2022**	**2021**	**2020**	**2019**
NPAT ($US m)	148	159	247	159	112
UPAT ($US m)	145 [1]	176	247	159	151
Share price ($Aus)	26.73	22.24	43.51	36.70	26.85
Dividend (US cents)	45.9	55.45	76.8	50	46.75
Simple TSR (%)	23.5	-47.0	21.0	39.2	1.0
EPS (US cents)	118	125	192	122	111
CEO total remuneration, actual ($US m)	1.390	1.636	11.131	5.084	4.562

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.

[1] Russia exit cost lower than expected

Governance and culture

Ansell demonstrates good governance and transparency with comprehensive and readable Annual report, Corporate Governance statement and ESG reports. The Directors are also well located in Ansell's business locations (US, Europe, Asia). Directors and KMP's are required to hold significant amounts of shares in the company, with shareholdings and progress against the requirement reported.

Key events

Ansell completed the exit from their Russian business at a lower cost than expected. With customers only slowly reducing stock levels, revenue declined significantly, leading to reduced production output from plants and some layoffs.

A trading update was released on 18 July 2023, flagging accelerated investments to "simplify and streamline the organisational structure" and "increased automation" which will "reduce manufacturing numbers". Guidance was included in the release with EPS for FY2024 expected to be in the range of US92cents to US112cents.

Key board or senior management changes

Ms Debra Goodin was appointed a Non-Executive Director (NED) in December 2022. Critically, Ms Goodin is Australia based, as Ansell are required to have a minimum of two Australian Directors. This allows Mr Bevan to retire after the AGM. Ansell have also announced (13 June 2023) that Mr Bevan will be replaced by Mr Nigel Garrard, pending his re-election as a NED at the AGM.

There were no changes in the group of 4 Senior Executives and only one change in the remaining Executive team (SBU VP & GM Chemical Solutions Mr Bryce replaced by Mr Baykal).

Sustainability/ESG

Ansell's Sustainability and Annual Reports for 2023 are comprehensive and clearly sets out the company's vision, plans and actions. Questioned on the employee group taking legal action against Ansell in Malaysia after being let go in FY22, as part of the production downturn, Ansell believe that they have met all their obligations but noted that there may have been an issue arising from the affected employees' previous employment by contractors. This is currently under investigation.

ASA focus issues:

The Board of 9 has an Independent Chair and 7 other Independent Directors, with over 40% female. There is a wide spread of service times on the Board and of residential locations. It is noted that Ansell have reduced their maximum service time for Directors from 15 to 12 years, which aligns with ASA guidelines.

We again discussed the Board Skills Matrix, noting that "People and Culture" has been added to the Skills. There was some re-alignment of the number of Directors with each skill, with the external audit of Board skills and performance being mentioned. Mr Bevan indicated that "Relevant Industry Experience" (down 2 Directors compared to 2022) would be high on the list of skills sought in any new NED appointed following his retirement. Asked if Ansell would seek to replace Mr Bevan, he indicated that a Board of 8 had worked well in the past.

The promised tender for Auditor planned for FY24 has been delayed at least 12 months, primarily due to the upheaval in PWC. With Ansell's international spread of operations, it is believed that only the "Big 3 – KPMG, PWC and EY" were considered to have the capability required.

4. Rationale for Voting Intentions

Resolution 2a: Re-election of Mr Nigel Garrard as a Director (for)

Mr Garrard was appointed as a Non-Executive Director in March 2020. He has extensive executive experience across fast moving consumer goods (FMCG) and Industrial/Manufacturing sectors and as a non-executive Director. Ansell's Board have made him Chair elect pending the Retirement of Mr Bevan, in part due to his commercial experience with distribution channel businesses. He is currently Chair of Flinders Port Holdings (a private company managing the port in Adelaide), holds two other ASX Directorships and an advisory board member, so will score 6 on ASA's workload assessment when appointed Chair. Like the current Chair, he believes that he can manage the workload. He currently Chairs the HR Committee and is a member of the Sustainability & Risk committee. He is an Australian resident. Whilst his workload is of concern, ASA can support his re-election.

Resolution 2b: Re-election of Ms Christina Stercken as a Director (for)

Ms Stercken was appointed a non-executive director in 2017. She has industry and consulting experience including M&A, a broad industry background and business building in developing markets. She chairs the Sustainability and Risk committee and is a member for the Audit and Compliance committee. She has 2 other Directorships and is Vice Chair of the Myanmar Foundation. She is based in Germany. ASA can support her re-election.

Resolution 2c: Re-election of Mr Willian Reilly as a Director (for)

Mr Reilly was appointed a non-executive director in 2017. He has extensive experience as an in-house lawyer within Ansell and prior to joining Ansell in US based companies. He is a member of the Sustainability & Risk, HR and Governance Committees and is a resident of the USA. ASA can support his re-election.

Resolution 2d: Election of Directors – Ms Debra Goodin (for)

Australian based Ms Goodin has previously held executive roles with Downer Group and Coffey International and has diverse experience in operations, finance, M&A and corporate services. She is Chair of Atlas Arteria and holds one other Directorship. She is a member of the Audit & Compliance and HR Committees and is an Australian resident. She has the strong support of the current Chair who stated that as an Australian resident, she is capable of taking the Chair's role. ASA can support her election.

Resolution 3: Grant of Performance Share Rights to Mr Neil Salmon, MD and CEO (against)

Ansell have revised their LTI grant by reducing the performance conditions to Return on Capital Employed (ROCE) as a Gateway and Earning per Share Growth for the 2024-26 period, removing Organic Sales growth. In the current period, the Board has decided that a focus on EPS Growth is most appropriate, given the significant investment in the business to improve performance. Performance Rights are valued on the share price averaged over the 5 days prior to and 5 days after the release of the company's results. Whilst Ansell continue to make a strong case for excluding Total Shareholder Return from their measures, the use of a single performance measure and the high maximum value of Rights (2.8 times Fixed Remuneration for CEO), a vote against the Resolution in line with ASA guidelines is appropriate.

Resolution 4: Increase in maximum aggregate remuneration available to Non-Executive Directors (for)

It is proposed to increase the maximum aggregate amount of Directors' fees (Fee Pool) from $US1,600,000 to $US2,100,000. The last change to the Fee Pool was in 2014 and the current fees paid to NED's are close to the maximum allowed. It is intended to increase NED's Base fees by 4% in FY2024. Reasons given for the increase include giving the Board the ability to appoint additional Directors with the requisite skills and experience, supporting transition and succession planning and ensuring that Director fees are maintained at levels commensurate with market rates. Given the Director's Base Fee has not changed since FY2021 and the remuneration of Directors is based on independent external advice and market practices, ASA can support the increase.

Resolution 5: Remuneration report (for)

Ansell's Remuneration report continues to be well set out and easy to read and understand. The structure of Executive Remuneration has not changed, with the values of STI and LTI remaining as in FY2022. However, the financial measures for the STI were reduced to EBIT growth (dropping Sales growth in view of market conditions) and similarly the FY24-26 LTI removes Organic Growth. Issues in the FY2022 report around the retirement of the previous CEO and decisions to award bonuses to two Executives who were not appointed as CEO does not affect the FY2023 report. However, the report does not flag changes that will be applied to Executive remuneration in the current year, with the LTI details released on the AGM Notice. It was noted that Chair-elect Mr Garrard would not express a view on the use of TSR as an LTI measure even though he currently Chairs the Human Resources Committee.

Given the quality of information provided in the report, the logic behind the remuneration structure and only the issues around the LTI being well established, it is proposed to vote ASA proxies in favour of this resolution.

Appendix 1
Remuneration framework detail

Ansell's Remuneration report is well set out and easy to read and understand. Mr Salmon is based in Belgium and paid in Euros with a fixed salary of €736,000, up 3% on 2022.

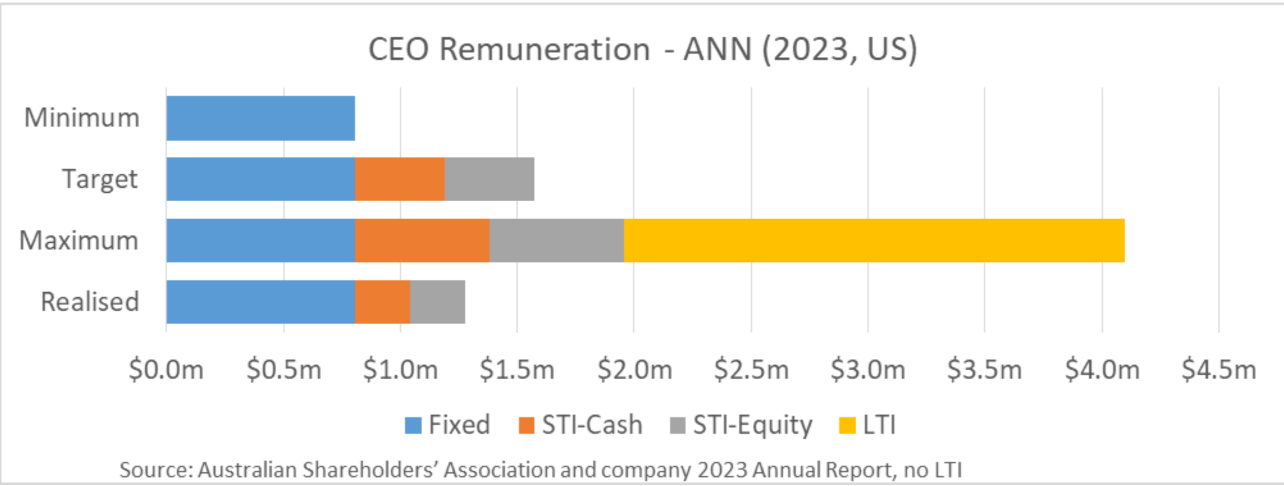
The STI has a target of 100% of fixed, with a threshold of 40% and a maximum of 150%. 50% is awarded in cash and 50% as equity, with a 2 year hold on the company shares awarded. Measures used were EBIT growth (70%) and individual objectives (30%). .

The LTI plan for FY22-24 has been modified by making the Return on Capital Employed (ROCE) a Gateway at 12.5%. Measures used are Earnings per Share (EPS) growth (85%) and Organic Sales growth (15%). Maximum LTI award is 280% of Fixed salary. The Award is made entirely of Performance Share rights, which are valued at the average share price over the 90 days prior to 16 August 2022, which is Aus$25.31. Minimum requirements have been set for each measure, 12.5% for EPS growth and 6.1% for Organic Sales growth. Baselines for both measures are set in the Notice of Meeting. Due to failure to reach the Gateway of ROCE, no LTI was paid in FY2023.

Changes to the details of the LTI are provided in the Notice of Meeting and are discussed under Resolution 3 above.

It is noted that the Board retain its discretion to make adjustments to calculation of performance conditions as set out in the Remuneration report and Notice of Meeting. LTI rights will vest on a Change in Control at target levels unless the Board determines otherwise.

All Directors and KMP's are required to build a significant portfolio of shares in the company, with the CEO needing shares to the value of 3 times his base salary over 6 years and Directors 2 times their base fees over 10 years. It is noted that both targets are much higher than is typical for Australian companies. Compliance and progress to these objectives is clearly reported in the Annual Report.



The amounts in the graphic 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 a 2 year hold before vesting. The LTI runs from 0-100% and as such there is no Target LTI.