

Treasury Wine Estates 2023 AGM report

ASX code	TWE
Meeting date	Monday, 16 October 2023
Type of meeting	Hybrid
Monitor	Katja Bizilj with Peter Aird as buddy attending AGM and John Whittington as buddy attending online
Pre AGM-meeting	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

Meeting Statistics

Number of holdings represented by ASA	264
Number of shares represented by ASA	538,042 (approximately 0.75 %)
Value of shares represented by ASA	\$6.22 million
Total number attending meeting	125 in person and 97 online
Market capitalisation	\$8.34 billion
ASA open proxies voted	ASA voted in favour of all the resolutions

Paul Rayner is retiring as Chair following the FY23 AGM. He emphasised that TWE's positive FY23 results demonstrated the success of their focus on premium and luxury brands, the diversification of global sourcing, and accelerated multi-country of origin strategies. He noted FY23 was mid-point in this 5-year re-alignment plan, which would better enable TWE to respond to future challenges. Such realignment mirrors the growing global industry trend.

Regarding sustainability, TWE continues developing site-specific climate risk assessments with a focus on water management given their collected evidence indicated TWE's regions of business were becoming hotter and drier. The availability of a reliable water source is critical to TWE.

Unsurprisingly, the Board's discretion to award executives LTI this year was unpopular with investors with 46% voting against the Rem report. This constitutes a first strike for the purposes of the Corporations Act 2001 (Cth). LTIs did not vest in FY22 for the third year in a row, primarily due to the Chinese Ministry of Trade (MOFCOM) effective ban on Australian produce.

When questioned if the Board's exercise of discretion was appropriate given the high investor disagreement, the Chair emphatically stated: "should the MOFCOM decision be reversed, TWE will adjust ROCE benchmarks up," which infers goodwill and intention for "fairness" regarding executives not benefitting later from the adjustment of ROCE benchmark in 2023.

Additionally, there was no presentation and little discussion on the award of performance rights to the MD & CEO Tim Ford. While it was outlined in the Notice of Meeting, a brief presentation to attendees by the chair of the remuneration committee would have been appropriate especially given the high investor vote against the remuneration report.

ASA questioned the ease of readability of the remuneration report and noted the company did not include a table of Actual Remuneration, which ASA has requested for several years. ASA believes the table would greatly simplify the information.

The Chair's response did not appear to adequately address these concerns. They stated: "that there is no prescribed standard on how to depict or report remuneration and that due to the need to comply with legislation and regulation, the report is already long and complex so it would be very hard to shorten it. Regarding a table of Actual Remuneration, TWE believes the inclusion of such a table would make the report more complex; however, TWE will continue to consider and take on notice ASA and investor comments".

Investors questioned the format of the FY23 AGM, saying it was confusing (especially for online attendees) and specifically requested future AGMs follow the agenda.

Several investors questioned if there were links to PwC and KPMG (TWE's auditors) via prior employment at PwC given PwC's recent issues. It was also asked if there were any KPMG staff working on TWE matters involved in the "improper answer sharing when taking training tests...designed to ensure partners and staff act with integrity and have the relevant skills for their work".

Mr Gordon Sangster, a KPMG partner who signed off TWE's Audit, advised such matters were confidential. However, based on his personal knowledge, he was unaware of any connection. Mr Sangster emphasised KPMG's continued confidence of the high level of integrity of their staff and reminded TWE AGM attendees of the existence of KPMG's Code of Conduct, which has strict disciplinary sanctions for transgressions.

Several investors queried the Board's skills set, particularly why there was not a higher number of Board members with a high level of industry or technology expertise or why there was not greater Board geographical diversity. Investors also questioned the length of two Board members' tenure, particularly in relation to succession planning. Mr Garry Hounsell and Mr Ed Chan have both now served over 10 years. The Chair noted the Board is highly experienced in all relevant areas and issues of geographical diversity, areas of expertise, and succession timings are routine considerations for selection of future Directors.

Perhaps due to an incorrect understanding of the Annual report's wording, 23% of investors did not support the re-election of Ms Antonia Korsanos because of her apparent high workload. The Chair clarified her commitments and advised such clarification had satisfied investors' queries.

All resolutions were carried, notwithstanding the first strike against the remuneration report. The Remuneration Report received 54% investor support. Grant of Performance Rights to the CEO was supported by 83% of investors. The re-election of Ms Lori Shanahan and Ms Antonia Korsanos received 86% and 78% support, respectively. The four other Director election or re-election resolutions received over 96% investor support. Mr John Mullen was appointed Chair of TWE following the FY23 AGM.

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