

## Improved performance continues

Company/ASX Code	Elders Limited (ELD)
AGM time and date	10 AM ACDT Thursday 14 December 2023
Location	Adelaide Convention Centre + Online
Registry	Boardroom
Type of meeting	Hybrid
Monitor	Ken Wakeman assisted by Malcolm Keynes & Bob Ritchie
Pre-AGM Meeting	Before the AGM with Chairman Ian Wilton, CEO Mark Allison & Company Secretary Peter Hastings

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

### Summary of issues for meeting

There is no issue of concern, other than the three year horizon for long term incentive; a matter raised previously and again scheduled for conversation when we have our pre-AGM meeting. See remuneration report resolution below for detailed information.

### How we intend to vote

No.	Resolution description	
2	Adoption of Remuneration report	For
3	Election of director – John Lloyd	For
4	Managing Director's Long-Term Incentive	For
5	Managing Director's Service Rights	Against
6	Approval of Issue of Securities Under Long-Term Incentive Plan	Against
7	Renewal of Proportional Takeover Approval Rule	For

## **Matters Considered**

### **Financial performance**

- It was a challenging year for the company with adverse market headwinds, including inflation, rising interest rates, falling input prices, and significantly declining livestock prices.
- Underlying NPAT decreased to 103.7million from a record high of 152.2million.
- ROE = 12% ROC = 16%
- EPS dropped to 66.3cps from 97.3cps.
- Dividends were down to 46cps, a decrease of 18%
- Net Debt increased to 463.3 (53.45%) from 284.9m (38.6%) although gearing ratios remained similar. In addition, interest covered increased to 26 times from 17.5 times.
- Total shareholder return (TSR) was -43.7% after substantial increases over the past 3 years.

### **Governance and culture**

- Website statements and annual reports indicate the company places strong emphasis on culture.
- A detailed Sustainability/Climate action report and a Corporate Governance statement were issued as separate reports.

### **Key events**

- second highest underlying EBIT at \$170.8 million
- resilient gross margin of \$619.0 million, with softening input prices offsetting volume growth
- cost increase of 7%, driven primarily by people cost inflation
- return on capital of 16.0% and leverage ratio of 1.4
- operating cash inflow of \$169.2 million
- nine new businesses acquired and 21 additional points of presence to expand product and geographical footprint
- providing shareholder returns of underlying EPS of 66.3 cents and dividends per share of 46.0 cents
- ongoing commitment to safety with the total recordable injury frequency rate decreasing to 10.1
- delivering on sustainability priorities, including achieving key milestones relating to climate change, energy, and waste reduction
- diverse working environment, with 43% women in the workforce and 20% in leadership positions
- awarded Australia's most trusted agribusiness brand amongst farmers for the fourth year in a row

### **Key Board or senior management changes**

- Non-executive director Mathew Quinn resigned 30/9/2023
- Non-executive director Diana Eilert resigned 4/6/2023
- John Lloyd appointed non-executive director 1/12/2023
- Paul Rossiter was appointed to the role of CFO on 7 July 2023
- Mark Allison was confirmed as continuing in the role as Managing Director and Chief Executive Officer effective 1 June 2023

## ASA focus issues

### Board Composition

- The board of 5 comprises 3 male (60%) and 2 female directors (40%). It has an independent chairman and three other independent directors, making the board majority independent.

### Remuneration disclosure

- Complete and clear: see Item 2, vote on Remuneration report

### Risk Management:

- Elder's risk management policy continues to work well.
- Elder's Sustainability report details the company's attitude towards diversity in the workforce, health & safety, climate change, energy & emissions, sustainable farming, animal welfare, and a number of other initiatives. It is an excellent report.

### Shareholder participation

- There were no capital raisings during the year.
- Elders provides information to shareholders via announcements to the ASX when there are significant events.
- Provides a results presentation specifically for retail shareholders at a more convenient time (6pm Eastern)

## Summary

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	100.8	162.9	149.8	122.9	68.9
UPAT (\$m)	103.7	152.2	151.1	107.7	63.6
Share price (\$)	5.78	11.85	12.23	10.85	6.32
Dividend (cents)	46	56	42	22	18
TSR (%)	-43.74%	+7.52%	+16.77%	+75.2%	-8.3%
Underlying EPS (cents)	66.3	97.3	96.7	69.9	57.0
CEO total remuneration, actual (\$m)	2.31	2.27	3.76	3.2	3.2

For 2023., the CEO's total actual remuneration was **23 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2023 data from the Australian Bureau of Statistics).

## Item 2 Remuneration Report - For

The fixed remuneration of directors and executives is in line with similar companies.

The short-term incentive (STI) is based on four components, each clearly described in detail including how they are measured. It can be found in the annual report (page 63) and the weighting for each component is clear.

The long-term incentive (LTI) scheme has a three-year horizon and two components: absolute TSR (50%) and EPS growth (50%). Absolute TSR must be positive. The three-year horizon is adopted by the company to match its three-year planning cycle.

We will vote undirected proxies in favour of the remuneration report.

## Item 3 Election of Director – John Lloyd - For

Mr Lloyd has extensive experience in the agricultural industry, including current appointments as a non-Executive director of Meat and Livestock Australia, Wine Australia and the Grains and legumes nutrition council. He estimates his other commitments require approximately 90 hours per month.

Mr Lloyd's previous executive roles include CEO of Horticulture Innovation Australia, managing director of Case New Holland ANZ, General Manager commercial at Incitec Pivot and General Manager merchandise at Wesfarmers Dalgety.

In addition to the understanding of the industry, Mr Lloyd brings to the Board skills in CEO and leadership oversight, strategy and planning, government relations, change and major project delivery, sales and account management.

We will vote undirected proxies in favour of the Mr Lloyd's election.

## Item 4 Managing Director's Long-Term Incentive - For

The proposed award of up to 283,990 performance rights is the LTI component of FY24 remuneration for the CEO/MD. Performance is to be tested over the three-year period 1 October 2023 to 30 September 2026. There are two components of LTI: **rTSR** (relative total shareholder return, 50%), **EPS** (earnings per share) growth (50%). The maximum incentive is set at 110% of FAR for FY24 (fixed annual revenue which includes superannuation and other benefits). No grant for the rTSR tranche will be made if aTSR (absolute total shareholder return) is negative.

### rTSR (Relative Total Shareholder Return)

50% of the grant will be subject to Elders' Total Shareholder Return (TSR) performance relative to the TSR performance of the comparator companies. The comparator group comprises the companies in the S&P/ASX 200 index as at the start of the Performance Period.

The start and end share values are calculated as the Volume Weighted Average Price over 5 trading days at the start and end of the Performance Period.

The rights will vest at 50% at the 50<sup>th</sup> percentile, 100% at 75<sup>th</sup> and above percentile and between 50%-100% on a straight-line sliding scale between 50<sup>th</sup>-75<sup>th</sup> percentiles.

### EPS (Earnings per Share)

The opening value for EPS used in the testing performance conditions will be 66.3 cents per share. This amount is calculated using the underlying FY23 NPAT. The target measure is 7.5% Compound

Annual Growth Rate (CAGR) with the stretch measure of 10% CAGR. The rights will vest at 50% if the target is reached, 100% if the stretch is reached and between 50-100% on a straight-line sliding scale if the CAGR is between 7.5-10%.

We would prefer the performance period to be 4 years and have raised this in the past. However, the chairman has made it quite clear that the 3-year time horizon is non-negotiable. We will raise this matter again.

We will vote undirected proxies in favour of the remuneration report.

### **Item 5 Managing Director's Service Rights - Against**

In November 2022, Mr Allison announced his intention to retire from Elders Limited on or before 14 November 2023. After a comprehensive domestic and international search, the Board determined that it was in the best interest of the Company for Mr Allison to continue in the role of Managing Director and Chief Executive Officer, particularly in light of the systems modernisation and supply chain rationalisation projects. In order to retain Mr Allison's continued service, the Board negotiated an increase in total fixed remuneration, a cash-based retention bonus and, subject to shareholder approval, service right grants.

Approval is now sought for the grant of the following service rights to Mr Allison under Elders' Long-Term Incentive Plan:

- 90,000 service rights, each of which will vest and entitle Mr Allison to one ordinary fully paid share if Mr Allison remains employed by Elders on 1 June 2024 and
- 90,000 service rights, each of which will vest and entitle Mr Allison to one ordinary fully paid share if Mr Allison remains employed by Elders on 1 June 2025.

The completeness and clarity of the description are appreciated. Nevertheless, ASA votes against retention payments without hurdles beyond staying in the job.

### **Item 6 Approval of Issue of Securities Under Long-Term Incentive Plan - Against**

The proposal is for issue of shares to executives whose performance right incentives vest, the issue under this approval does not count towards the annual 15% issue limit. ASA prefers the shares to be purchased on market to avoid the dilutionary effect on shareholders. If shares are to be issued, ASA prefers that those shares be included in the 15% cap on selective placements.

### **Item 7 Renewal of Proportional Takeover Approval Rule - For**

Approval is sought from shareholders to renew the Company's proportional takeover provisions.

A proportional takeover is one where an offer is made to each shareholder for a proportion of the shareholder's shares. Rule 6 of the Company's constitution contain provisions to assist shareholders receive proper value for their shares if such a bid is made for the Company. The Corporations Act require that these provisions be renewed every 3 years or they will cease to have effect. When renewed the existing provisions will remain in effect for a 3-year period in exactly the same terms until 14 December 2026.

Not renewing the Company's proportional takeover provisions may leave shareholders unprotected if a proportional takeover bid occurs after the provisions have lapsed.

**ASA Disclaimer**

*This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:*

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

*This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.*