Australian Shareholders' Association Limited
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Merger integration progressing, with the focus is improving results.

Company/ASX Code	TPG Telecom Limited/TPG
AGM time and date	10 am, 3 May 2024
Location	Wesley Conference Centre, 220 Pitt St, Sydney NSW 2000
Registry	Computershare
Type of meeting	Physical AGM with webcast TPG live AGM webcast
Monitor	Peter Gregory and Partha Sarathy
Pre-AGM Meeting	With Helen Nugent, Lead Independent Director, Vanessa Hicks, Group Executive Customer and People Experience and James Hall, General Manager Strategy and Capital Markets.

Monitor Shareholding: The individual(s) involved in the preparation of this voting intention have a shareholding in this company.

Note: shareholders who do not attend the face to face meeting will need to submit their votes, proxies and questions prior to the meeting as described in the notice of meeting

1. How we intend to vote

No.	Resolution description	
2	Adoption of 2023 Remuneration Report	**For**
3	Re-election of Director – Antony Moffatt	**For**
4	Re-election of Director – Frank Sixt	**Undecided**
5	Re-election of Director – Jack Teoh	**Against**
6	Grant of Equity to the CEO and Managing Director	**For**

2. Summary of Issues and Voting Intentions for AGM

- TPG increased revenue during FY23, but with the competitive nature of the industry found it difficult to pass on cost increases. To retain its market position and to capitalise on changes in the industry and customer expectations TPG continues to invest in network and acquisition of new spectrum, which will improve and extend 5G coverage across Australia. While the company describes its general strategy it needs to be more forthcoming to gain shareholder confidence.
- Due to the unusual ownership structure of TPG following the 2020 merger of TPG Telecom (TPM) and Vodafone Hutchinson Australia (VHA), individual shareholders are estimated to hold around only 6% of the register's shares. ASA, in representing these people, will continue to ensure the company is understanding of the needs and expectations of individual shareholders.

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

2023 Accounts and Reports

TPG Telecom Limited (TPG or Group) is an Australian-based multi-media full-service telecommunications company providing consumer, wholesale and corporate telecommunications services. The business offers voice, internet and data solutions to a range of customers from consumers to small to medium enterprises (SMEs), corporate, wholesale and government sectors.

<u>Financial Performance:</u>

TPG experienced increase in revenue from of growth in the number of subscribers to its mobile network but due to cost pressures (principally handsets, employee and interest costs), the adjusted profit for the year was markedly lower than the previous year. The inability to pass on increase in cost is reflective of the competitive nature of the industry. Total shareholder return (TSR) for the year was positive after many years of negative outcome, due to increase in share price, though over the term from 2020, the share price is underwhelming.

The statutory Net Profit after Tax (NPAT) for the 2023 year was $49 million, which was lower than last year by $464 million. However, upon excluding last year's one-off gain of $402 million from the sale of towers, the NPAT was still down by $43 million, or 47%. The Underlying Profit after Tax (UPAT), which excludes amortisation of customer base, was $161 million.

During the year, revenue increased by $118 million to $5.5 billion, principally due to increase in mobile subscribers. The growth in revenue was offset by increase in operating cost (handsets and employee benefits), depreciation and amortisation and financing cost- a result of increase in interest rates.

The net assets of TPG reduced by $283 million to $11.6 billion. In 2023, TPG suspended receivable sales to third parties, utilising part of proceeds from sale of towers in the previous year to fund those receivables resulting in saving in interest cost through the switch. At the end of the year, the net debt of the Group was $4.0 billion, an increase of $384 million. The debt maturity profile was skewed with about 62% maturing in 2026. During the pre-AGM meeting, TPG pointed out that there was no risk in refinancing given the current benign market conditions.

Total shareholder return turned positive for the first time in some years because of improved share price during the year. The return on invested capital (ROIC) was 6.1% (2022: 5.7%). The dividend for the year remained unchanged from the last, at 18 cents.

Financial performance

(As at FYE)	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	49	513	113	734
UPAT ($m)	161	222	225	NA
Share price ($)	5.18	4.89	5.89	7.22
Dividend (cents)	18	18	16.5	7.5
Simple TSR (%)	9.6	(14)	(16)	(18)
EPS (cents)	2.6	27.6	6.1	64
CEO total remuneration, actual ($m)	4.6	3.3	4.5	5.5

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.

The CEO's remuneration was 46.8 times Australian Full time Adult Average Weekly Total Earnings (based on November 2023 data from the Australian Bureau of Statistics)

Governance and culture

<u>Board composition</u>

The TPG board comprises 10 directors. The Foreign Investment Review Board (FIRB), as a condition of approving the 2020 merger (the merger) of the former TPG (TPM) with Hutchison/Vodafone (VHA), imposed these restrictions on the board composition:

- At least two independent directors,
- At least half of directors be either Australian citizens or Australian residents for tax purposes,
- Directors nominated or appointed by Vodafone and Hutchison (Regulated Shareholder Director) cannot exceed half of the directors,
- An independent director must fulfil the role of "senior independent director" when the Board chair is not an Australian citizen or is a Regulated Shareholder Director,
- For a board meeting quorum at least one independent director must be able to vote, and Regulated Shareholder Directors cannot comprise more than 50% of directors voting at the meeting. The chair does not have a second or casting vote,
- Board committees must have a majority of independent directors or Regulated Shareholder Directors comprising no more than 50% of the committee members.

While there is some reference made to these restrictions in the Board Charter, ASA is of the view that the full set of restrictions should be included in the company constitution. Then if, in the future, the board determines that an amendment can or should be made, its implementation will require a general meeting resolution, thus ensuring all shareholders are informed.

<u>Independent shareholders position</u>

As the TPG shareholding now comprises 50.1% Vodafone and Hutchison, 14.41% David and Vicky Teoh and associates and 12.61% Soul Patts, the remaining shareholders have only 23% of shares.

In addition, the Annual Report shows that 94% of shareholder have less than 10,000 shares. Assuming this group represents individual shareholders, while not significant on the register this suggests we are about 21,500 current or potential customers!

In this context, it is important that ASA work to ensure that the interests of individual shareholders are considered in TPG's decision making. During our pre-AGM meeting, we discussed this topic and we were assured that there is close alignment with the interests of all shareholders and that of all board members. And that in all of their decision making each director puts aside the interests of their shareholding and acts in the best long-term interests of TPG and all shareholders.

<u>Post merger integration</u>

The merger now occurred nearly 4 years ago - at the pre-AGM meeting we asked about any significant integration issues. There are no issues of note. To ensure the entire TPG team is operating as a single unit, TPG now has a new office in Barangaroo, bringing all Sydney TPG people into one location to foster a sense of collective purpose.

It is noted that of the senior management team, 6 of the 8 people have had a previous association with Vodafone, which raises a question about whether more synergy could have been gained as the two different organisational cultures were made one.

Key board or senior management changes

There was a change of CFO with Grant Dempsey resigning on 12 November 2023 to be replaced by John Boniciolli on 13 November 2023. John is an experienced CFO who has previously worked with Domain, Vodafone NZ and Telstra.

Sustainability/ESG

TPG are aware of their electricity use and its environmental impact. The company has a Power Purchase Agreements in place to deal with most of its requirements and is prepared to use offsets where they need to source black electricity. TPG have renewable electricity targets and these are included as part of the Long Term Incentive plan.

Orchid Cybertech, a Philippines company that was owned by TPG and which provided services to TPG including customer experience services was purchased by Tech Mahindra for an externally reported A$5 million in February 2024. TPG will continue to purchase services from Orchid. A consequence is that what was previously Scope 1 emissions associated with the 3000 employees are expected to become Scope 2 for TPG.

4. Rationale for Voting Intentions

Resolution 2 Adoption of 2023 Remuneration Report - for

The remuneration report is well laid out and easy to read. TPG are to be congratulated for their commitment to providing shareholders with good detail about how key management (KMP) are motivated and rewarded for their efforts.

<u>With the STI</u> we are pleased to see the use of hurdles of financial performance, and risk management at a group level and alignment of behaviours for each individual before any STI awards are payable to KMP.

The STI performance requirements at threshold, target and maximum are stated and the report shows actual FY23 outcomes for financials (Total Service Revenue, Operating Free Cash Flow, and

EBITDA); Customer Net promoter Score (NPS); and Employee Experience. At the pre-AGM meeting we questioned the use of NPS as an appropriate measure for an incentive program, and its validity as a single number in reflecting customer loyalty. The response was that the focus on customers by the organisation is critical for success, but there was agreement with our reservations about NPS. The remuneration committee is considering other ways to fairly measure customer relationships.

The CEOs' individual performance measures and his performance against each measure is described in full. Shareholders can see that the measures used are aligned with the stated strategy for FY23 and that the CEO clearly understands what he was expected to deliver.

The STI will continue in FY24 in its current format.

A one-off Performance Retention Rights Plan has been introduced for the period 1 January 2024 to 31 December 2026.

TPG has now established a strong leadership team following the merger and has its strategy in place. Given the highly competitive landscape for competent telco executives, the TPG board, in ensuring there is continuity of its strategy implementation, is mitigating the risk of loss of key people through this one-off additional incentive.

This incentive will have two components with the award of both dependent on continued employment through to 31 December 2026. The first component (50%) is based on relative Total Shareholder Return (rTSR) being straight line pro rata vesting between 50.1 and 75th percentile of the defined peer group of ASX100 companies. The second component (50%) is based on continuing employment for the period.

ASA guidelines do not support the use of retention payments, and in particular payments that are not performance based.

The LTI for FY23 involved a change from FY22. The financial metrics have changed from rTSR and Operating Free Cash Flow (OFCF) to Earning per Share (EPS) 45% and Return on Invested Capital (ROIC) 45%. ASA is comfortable with ROIC given the capital intensive nature of the industry and the need for TPG to actively invest where there are strong returns on that investment.

However, ASA is of the view that to most effectively align management actions with individual shareholder expectations, rTSR is more appropriate than EPS. This is because TSR is a critical metric that individual investors use to manage their portfolios and in choosing where to allocate their funds. There is also a concern with TPG, where ¾ of shares are held by 4 entities (who have board representation). These entities may have less concern with share price appreciation than individual shareholders. We also expressed a concern at the pre-AGM meeting that the communication about the future opportunities for TPG, as shared by the CEO in the recent investor presentation, does not give the investor community the confidence that will foster share price appreciation. The need to improve this was acknowledged.

However, we see that the current inclusion of rTSR in the one-off Retention Plan, gives some KMP alignment with individual shareholder interests. In the coming year's engagement with TPG, ASA will continue to advocate for TSR to be included in the continuing LTI.

There are additional comments about the LTI. Firstly, there is room for greater clarity on the threshold and maximum performance levels for the LTI. In particular the weighted average cost of capital (WACC) threshold (on which ROIC is based) should be disclosed. Secondly, we regard the inclusion of a renewable electricity component (10%) in the LTI as positive, but it will be interesting to see how future ESG targets replace renewable electricity when it is achieved.

Voting intention

In deciding how ASA will vote undirected proxies, the remuneration plan as a whole has been considered. We have concerns about the lack of TSR in the LTI and the use of a retention plan, and in particular one that includes a non-performance based payment.

However, on balance, the overall plan and its communication is mostly aligned with ASA guidelines and undirected proxies will be voted for this resolution.

Re-election of directors(for/against)

As noted above under Governance there are constraints on the structure of the board following the merger. The board has nine NEDs of whom only two are independent. Six are nominated by major shareholders and one is a previous employee.

In determining how to vote for re-election of directors ASA has put aside the basis for their nomination and are deciding based on the ability of each person to contribute to the success of TPG.

Note, in doing so, we are largely dependent on the information provided by the company and repeat our previously raised concern that the board skills matrix, as shown in the Corporate Governance Statement, does not provide good visibility to the skills and experience of each director. Further, we are concerned that the skills matrix, with the “Telecommunications” and “Commercial and Strategy” categories, does not disclose the extent to which this experience is global or Australian. Given the nature of the business we believe this is important.

Resolution 3 – Re-election of Antony Moffatt - for

Antony Moffatt has had an extensive career with TPG Telecom (ASX:TPM) having been part of the leadership team that grew that business from a startup to become a significant player in the Australian telecommunications industry. His depth of hands-on knowledge of the local telecommunications environment and in particular TPMs fixed business make him a valuable contributor the board.

Resolution 4 – Re-election of Frank Sixt - undecided

Frank Sixt has had a long association with the Australian Telecommunications industry, and is stated to have extensive leadership and director experience (including within the telecommunications industry). This would appear to make him a good candidate as a TPG director. However, we are concerned about the extent of his workload and therefore his ability to be sufficiently focused on the TPG business. Before finalising our decision on his re-election we will ask at the AGM for his assurance on his capacity for the role as well as a description of the additionality of his contribution to the board since the merger.

Resolution 3 – Re-election of Jack Teoh - against

In the notice of meeting there is insufficient information provided about Jack Teoh to enable ASA to support his re-election. In particular, he has limited experience in the telecommunications industry and has had minimal listed company directorships. We will ask him to expand on the provided information.

Resolution 6 Grant of Equity to the CEO and Managing Director

This resolution is for the grant of Performance Rights to the CEO and Managing Director. These are for STI Deferred Share Rights, LTI Performance Rights and the one off Performance Retention Rights. These are as described in the Remuneration Report and are largely consistent with ASA guidelines. In satisfying the provision of shares when rights vest TPG purchases on market.

Appendix 1
Remuneration framework detail

	FY23 CEO remuneration Plan						Actual FY23	
	Threshold		Target		Maximum			
CEO rem. Framework for FY23	$m	% of Total	$m	% of Total	$m	% of Total	$m	% of Total
Base Salary	**2.00**	**45%**	**2.00**	**33%**	**2.00**	**25%**	**1.98**	**42%**
STI - Cash	0.55	12%	1.10	18%	1.65	20%	1.34	29%
STI - Deferred share rights 1,2 years after year end	0.55	12%	1.10	18%	1.65	20%	1.34	29%
Total STI	**1.10**	**25%**	**2.20**	**36%**	**3.30**	**41%**	**2.67**	**58%**
LTI	**1.39**	**31%**	**1.85**	**31%**	**2.78**	**34%**	**0.00**	**0%**
Total	**4.49**	**100%**	**6.05**	**100%**	**8.08**	**100%**	**4.65**	**100%**