

Bapcor – Corporate governance, financial and operational failure

Company/ASX Code	Bapcor/BAP
AGM time and date	1.30pm AEDT Wednesday, 16 October
Location	127-139 Link Road Melbourne Airport
Registry	Computershare
Type of meeting	Hybrid
Monitor	Steve van Emmerik assisted by Mike Muntisov
Pre-AGM Meeting	With new CEO/Chairman Angus McKay (part), Lead Independent Director Mark Powell, Director Kate Spargo and Karen McKay (investor relations)

Monitor Shareholding: The individual(s) (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	
2	Re-election of Mr Mark Bernhard	Against
3	Remuneration Report	Against
4	Grant of Sign-on Rights for the Executive Chairman and CEO	Against
5	Approval for the Grant of the FY25 Performance Rights to the Executive Chairman and the CEO under the LTIP	For
6	Approval for the Grant of the Termination Benefits to the Executive Chair and CEO	Against

2. Matters Considered

- The board has appointed a combined Executive Chair/CEO, Mr Angus McKay who was previously CEO of 7-Eleven Australia and before that of Skilled Group. The ASA guidelines are clear on this point: *“The roles of the chair and chief executive officer should not be exercised by the same person”*. The company justifies this decision by saying there was no chair at the time of his appointment which appears to be because no existing director was willing to take on the chair role.
- Various aspects of the remuneration report are problematic including: the payment of \$1.25 million to the former CEO Noel Meehan after he was let go following the better than before (BTB) strategy failure; the sign-on payment for the new Executive Chairman/CEO; and the termination payment of the New Executive Chairman/CEO. All these are contrary to ASA guidelines.

- One can also question the growth in director fees over recent years if the board's performance is measured by the sequence of CEO appointments, namely letting go of long term CEO, then termination of replacement CEO after 12 months, then appointment of a new CEO who chose not to show up, and finally appointment of the current combined chair/CEO role. In the meantime one newly appointed experienced ASX-director resigned after only three months on the board for unspecified "personal reasons", the chair resigned and no existing director was prepared to take on the chair role.
- The large write down of approximately \$253 million dollars, of which \$191m is impairment of intangible assets which reflects the poor quality of past acquisition decisions.
- The costly failure of the BTB strategy in terms of both money and time/focus of the board and Key Management.

3. Rationale for Voting Intentions

Resolution 2 - Re-election of Mr Mark Bernhard (Against)

Mr Bernhard has been part of a board which has failed to live up to normal ASX governance standards and has been involved in decisions about CEO's and KMP that from the outside appear to be a debacle. Not surprisingly this has contributed to poor financial results and allegedly a continuing failure to address the underlying operational issues that arise when many acquisitions occur over a decade and these businesses are not well integrated with each other. We note he did step up as interim CEO and view him more positively for this reason. But when weighed against the other larger issues still choose to vote against his re-election.

Resolutions 3 - Remuneration Report (Against)

Various aspects of the remuneration report are problematic including the payment of \$1.25 million to the ex-CEO Noel Meehan after he was let go following the BTB strategy failure. Also, the continuing increase in director fees despite the large financial loss this year and apparent poor performance in managing the CEOs.

Resolution 4 – Grant of Sign-on Rights for the Executive Chairman and CEO (Against)

The sign-on payment for the new Executive Chairman/CEO is contrary to ASA guidelines.

Resolution 5 – Approval for the Grant of the FY25 Performance Rights to the Executive Chairman and the CEO under the LTIP (For)

The LTI has two performance measures, Return on Invested Capital (ROIC) and relative TSR, which appear appropriate. Rights are priced at face value.

Resolution 6 - Approval for the Grant of the Termination Benefits to the Executive Chair and CEO – (Against)

The termination payment for the new Executive Chairman/CEO is contrary to ASA guidelines.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY25	Target \$m	Max. Opportunity \$m
Fixed Remuneration	1.9	1.9
STI – Cash	Nil*	Nil
STI – Equity	Nil*	Nil
LTI	1.19 ^{1,2}	4.75 ²
Total	3.09	6.65

*CEO does not participate in STI scheme. CEO to receive a sign-on award of \$950,000 in equity progressively vesting on continuance of service over 3 years, or immediately in the event of change of control.

¹ At threshold performance levels

² Various rules apply to determine the amount vesting on change of control

Oct 01, 2019 - Oct 01, 2024 ●BAP



5-yr share price