

Solid year but a pity about the capital raising

Company/ASX Code	ALS Limited/ALQ
AGM time and date	10am, Wednesday 30 July
Location	Marriott Hotel, 515 Queen St Brisbane and https://meetings.lumiconnect.com/300-214-406-618
Registry	Boardroom
Type of meeting	Hybrid
Monitor	John Whittington, assisted by Noel Ambler and Susan Bailey
Pre-AGM Meeting	Yes, with Chair Nigel Garrard

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

1. How we intend to vote

No.	Resolution description	
2	Remuneration Report	For
3a	Election of Catherine Farrow as a Director	For
3b	Re-election of Siddartha Kadia as a Director	Undecided
4	Grant of 2025 Performance Rights to Malcolm Deane	For
5	Renewal of Proportional Takeover Approval Provisions	For

2. Summary of Issues and Voting Intentions for AGM/EGM

- Solid financial performance in FY25
- Annual Report and Remuneration Report both are clear and communicate most information needed well, and remuneration quantum and structure are aligned with ASA guidelines
- Capital raising carried out after year end could have been fairer to retail shareholders
- Excessive workload and inadequate “skin in the game” of some directors
- Directors’ skills matrix should be improved

3. Matters Considered

Accounts and reports

ALS had a solid financial performance for the year, recovering from last year’s \$221m write down of Nuvisan business but still 9% less than reported in 2023. Underlying profit has declined

slightly year on year now for three years. Shareholders had a very good year with a total shareholder return (TSR) of just over 20%.

Financial performance

(As at FYE)	2025	2024	2023	2022	2021
NPAT (\$m)	256.2	12.9	291.2	190.5	169.6
UPAT (\$m)	312.1	316.5	324.4	264.2	185.9
Share price (\$)	15.41	13.13	12.36	13.40	9.68
Dividend (cents)	38.6	39.2	39.7	32.8	23.1
Simple TSR (%)	20.3	9.4	-4.8	41.8	78.3
EPS (cents)	52.8	2.7	60.2	39.5	35.2
CEO total remuneration, actual (\$m)	2.617	2.347	3.769 (part year)	3.976	2.720

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.

Governance and culture

Governance of the company seems good with the company meeting most ASA guidelines.

We are disappointed that the company does not provide a genuine board skills matrix – they only provide a table with very generous assessments – and are asking the company to do better. As a result, it is very difficult for shareholders to assess if there are risks due to insufficient specialist skills on the board (we suspect not but need a genuine matrix to be sure).

We are also disappointed that the company has not given retail shareholders notification of, and real time (listen only) access to analyst results briefings as do many other companies. The ASA believes that such restrictions disadvantage retail shareholders compared with others.

The company does not disclose how long the current auditor has served and when the last competitive audit tender was held. We are asking for better disclosure in this area.

Key events

After the year end, the company carried out a \$350m placement and a \$22.5m SPP to raise capital to support a \$230m upgrade of laboratories in Lima, Sydney, Prague, and Bangkok.

We consider that a renounceable entitlement/rights offer, such as a PAITREO, would have been a fairer structure. It provides all existing shareholders the opportunity to participate and helps avoid existing shareholders subsidising discounted shares issued to new or select investors.

The company has announced that it will be moving its global operational headquarters from Austin, Texas to Madrid, Spain in July 2025. Its governance headquarters will remain in Brisbane.

Key board or senior management changes

Long standing Chair, Bruce Phillips, retired from the board on 31 July 2024 after nine years on the board. He was replaced as Chair by Nigel Garrard.

Andreas Jonsson, EGM of the Food and Pharmaceutical business retired in March 2025 after 19 years with the business.

Geologist and mining specialist Catherine Farrow was appointed to the board on 24 March 2025.

Sustainability/ESG

The company provides a comprehensive Sustainability Report which allows shareholders to make an informed decision about these matters.

4. Rationale for Voting Intentions

Resolution 2 Remuneration Report (for)

The report is one of the better this monitor has read (albeit often using font sizes too small for many retail shareholders to easily read) and, to a large degree, communicates the structure and outcome very well without taking interminable numbers of pages on unnecessary detail. If they fix the font issue, it is likely to become this monitor's new "reference" remuneration report to show other companies how it should be done.

The quantum (ie \$ amount) of the awards are in line with similar companies.

Remuneration is part fixed and part variable where the variable component should be considered variable pay rather than a bonus. Performance under target/expectations will result in lower pay, performance above target/expectations will result in higher pay.

The variable element consists of short-term incentives (STI) which can vary between 0 and 105% of fixed pay, and long-term incentives (LTI) which can vary between 0 and 150% of fixed pay. So total pay can vary from just fixed pay alone (for very poor performance) to 3.55 times fixed pay (for exceptional performance).

STIs are awarded 70% in cash immediately, and 30% in service rights which vest two years later and are calculated based on performance against underlying NPAT (55%), strategy and performance non-financial targets (35%), ESG targets (5%), and organisational capability targets (10%).

LTIs are awarded in share rights with outcome calculated on the following targets (equally weighted):

- Earnings per share (EPS) growth
- Relative earnings before interest, taxes, depreciation, and amortisation (EBITDA) compared with seven international industry competitors
- Relative total shareholder return (rTSR) against the ASX100
- Return on capital employed (RoCE)

All LTI awards are measured over three years and vest at the end of that period.

ALS executives are required to hold a “meaningful” shareholding within five years of the date they commenced as an executive. Currently “meaningful” is defined as 100% of their total fixed remuneration (TFR) for the CEO and 50% of TFR for other executives.

In conclusion, we believe that the level of remuneration is not excessive, the incentives are aligned with shareholders, disclosure is generally good, and the clarity and understandability of the report itself is excellent. On the other hand, we are concerned that “underlying” figures are used for hurdles with no transparency as to their calculation, LTI targets seem “soft” with executives receiving 100% of maximum in most recent years, the LTI is over too short a time period, the minimum shareholding policy for non-executive directors is inadequate, and that STIs can exceed fixed remuneration and only 30% of them are paid as deferred equity.

On balance we believe the positives and recent improvement are sufficient for us to support the report this year however our continued support would require addressing some of the negative points in future years.

Resolution 3a Election of Catherine Farrow as a Director (for)

Ms Farrow, a geologist with a long career in the mining industry, was appointed to the board in March 2025. She is yet to have any shareholding in the company and is independent.

Ms Farrow is currently a director of Eldorado Gold Corporation, a lead director of Aciara Resources and is President of FarExGeoMine. We do not consider her workload excessive.

We believe that Ms Farrow is well qualified, can contribute to the board and we support her election.

Resolution 3b Re-election of Siddhartha Kadia as a Director (undecided)

Mr Kadia, a biomedical engineer with extensive experience in life sciences testing, inspection, and certification in both operational roles and as a consultant with McKinsey, was appointed to the board in January 2019. He has a shareholding equivalent to just under 60% of his expected annual remuneration and is independent.

Mr Kadia is currently CEO and Director at Calibre Scientific, a privately held company. We have been informed that it is common in the USA for CEOs to take on one unrelated board seat and that Mr Kadia took up the CEO role with the agreement of that company that he had to allocate sufficient time to his ALS board role. We do not know what Calibre Scientific’s expectations are for the time that Mr Kadia needs to allocate to ALS. We are concerned that, unless his CEO role takes less than 80% of a full-time workload, his workload is excessive.

We believe that Mr Kadia is very well qualified and can contribute to the board. We are however concerned that, after over six years on the board he has not acquired shares equivalent to his expected annual remuneration. Whilst this meets the ALS’ policy, it doesn’t meet ASA expectations. We believe directors should have sufficient “skin in the game” to align their interests with shareholders.

At the AGM we will ask him about his workload and his level of ALS shareholding. If he satisfies us about his workload and commits to increasing his ALS shareholding in the near future, we will support his re-election.

Resolution 4 Grant of 2025 Performance Rights to Malcolm Deane (for)

This is for the issue of a maximum of 146,884 performance rights worth \$2.397m (based on the volume weighted average price of the ten trading days leading up to 27 May). This grant will be similar to that described in item 2 (which refers to the FY24 scheme).

We believe that the level of award is not excessive and is aligned with shareholders so will support this grant.

Resolution 5 Renewal of Proportional Takeover Approval Provisions (for)

The Corporations Act permits a company to include in its constitution a provision which enable the company to refuse to register a transfer of shares acquired under a proportional takeover bid unless a resolution is first passed by members approving the bid. The resolution prevents companies gaining control cheaply and allows shareholders to decide if the bid should proceed.

The ASA will support this resolution.

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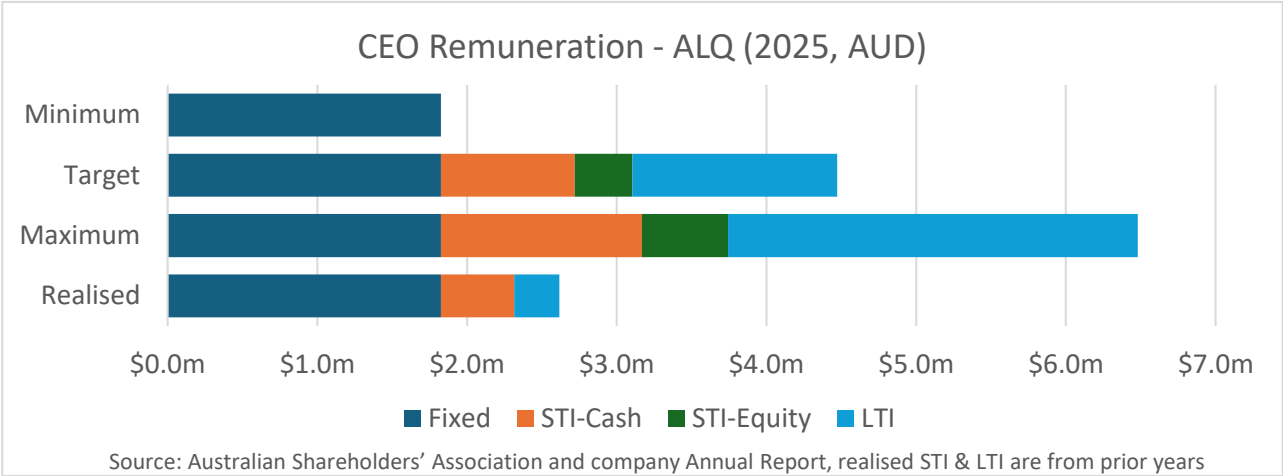
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Appendix 1

Remuneration framework detail



The amounts in the table 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 hurdles in subsequent years before vesting. Some remuneration frameworks set a maximum opportunity amount, but not all.