

Voting Intentions Report - Australian Foundation Investment Company

Company/ASX Code	Australian Foundation Investment Company Limited/AFI
AGM time and date	10am Tuesday, 30 September 2025
Location	RACV Club Level 2, Club Pavillion, 501 Collins St and Online
Registry	Computershare
Type of meeting	Hybrid
Monitor	Steve van Emmerik
Pre-AGM Meeting	Four board members/execs, including Mr Drummond, Mr Freeman (CEO), Mr Porter (CFO) and Mr Rowe (Company Secretary).

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

1. How we intend to vote

No.	Resolution description	
2	Remuneration report	For
3	Re-election of Rebecca Dee-Bradbury	For

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

- Current long-term incentive (LTI) does not include Total Shareholder Return (TSR) but is largely focussed on the underlying portfolio performance over the longer term (measured against ASX200 Index). We understand that the portfolio manager and other assisting the management of the portfolio need to focus on underlying portfolio performance. However, given the general move away from listed investment companies (LICs) towards exchange traded funds (ETFs) this may become problematic in the future and does not align with ASA guidelines. We encourage the remuneration committee to consider whether employees whose roles are largely concerned with investor relations, rather than portfolio performance, should have incentives focussed on actions that may directly benefit shareholder such as by closing the discount to Net Tangible Assets (NTA), reducing the volatility of the share price around NTA swings etc.
- Portfolio performance over the past year has been below relevant benchmarks, which has contributed to returns lagging behind benchmark performance over the past decade. Given the portfolio's diversification and the similarity of its holdings to the benchmark, the relative underperformance is notable. If this trend continues, it may be of concern to shareholders. The widening of the discount to NTA has further influenced returns from a shareholder perspective.

3. Matters Considered

Financial performance

(As at FYE)	2025	2024	2023	2022	2021
NPAT (\$m)	285.0	296.4	310.2	360.6	235.1
UPAT (\$m)	285.0	296.4	310.2	360.6	235.1
Share price (\$)	7.35	7.15	7.07	7.51	7.82
Dividend (cents)	31.5	26	25	24	24
Simple TSR (%)	7.2	2.6	-1.4	-1.0	32.3
EPS (cents)	22.7	23.7	25.1	29.4	19.3
CEO total remuneration, actual (\$m)	AFI 0.753	AFI 0.941	AFI 0.913	1.47 (AFI .884)	1.35

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. In earlier periods the CEO salary allocated to AFI was not broken out separately.

Governance and culture

- AFI remains well aligned with ASA guidelines from a governance and culture perspective.
- The board has a majority of independent directors.
- The board now contains 37% female representation of directors. This is in line with the “at least 40% male and female representation” guideline of the ASA.
- The current Chairman is independent from ASA’s perspective. The previous chairman was a long-term board member and not considered independent by the ASA having been on the board since 2005.
- We are pleased to note that AFI has for the first time included a Skills Matrix for the Board in its Corporate Governance Statement. This assists shareholders in determining how individual directors add to the expertise of the board and become aware of any gaps in board expertise/experience. However, the ASA prefers that the skills matrix be more granular in detail and be published in the Annual Report.

Key events

- AFI recorded a profit of \$285.0 m in FY25, down 4% on the previous year, whilst the dividend was up 5.5 cents to 31.5 cps (fully franked). We encourage the board to continue to pay additional special dividends when appropriate.
- Total Shareholder Return (TSR) for the year was 7.2 %. The premium/discount to net tangible assets (NTA) moved from approximately a 9% discount to a 12% discount. This Total Shareholder Return was significantly below market returns and was driven by both underperformance in the portfolio and the increase in the discount.
- The portfolio returned 10.7 % for the year compared to the S&P ASX200 Accumulation Index (Index) return of 15.1 % for the same period. Both figures are inclusive of franking credits, but the AFI return is calculated after costs, whereas the index is not.
- The AFI return over three, five and ten years is behind the index by between 1 and 2% p.a.
- The Management Expense Ratio (MER) increased slightly from 0.15% to 0.16%.

- AFI continues to explore the possibility of a low cost actively managed international LIC and its relatively small portfolio of international stocks has performed well. There is various accounting, legal and regulatory steps that would need to be taken before such an event and timing would be dependent on positive market conditions for a launch of such an LIC.

Sustainability/ESG

Although it is a bit difficult to locate, the website also contains a table disclosing AFI's voting record on its portfolio companies AGM resolutions up to 2024/25. This voting record is displayed in totals rather than company specific votes. This makes its record on ESG matters hard to determine.

4. Rationale for Voting Intentions

Resolution 2 - Remuneration report - For

Remuneration is not unreasonable for a company this size and in line with most of ASA guidelines. However, given it's largely a passive investor the remuneration is not insignificant compared to the presumed amount of effort required to run the company. Importantly, the relatively large size of the portfolio and the spreading of costs across its sister LIC's mean the fees are still lower than most other Australian LIC's. On balance we believe the remuneration is reasonable and will vote in favour of this resolution. While the swings in premium/discount to NTA are outside the portfolio managers control we would encourage the company to consider a wide range of steps that can reduce these swings in the interests of reduced volatility and certainty for shareholders.

We note that most of the incentives paid this year were not accrued due to AFI's performance but derive largely from its sister companies' performance, in particular DJW and MIR.

We encourage the remuneration to committee to consider whether employees whose roles are largely concerned with investor relations, rather than portfolio performance, should have incentives focussed on actions that may directly benefit shareholder such as by closing the discount to NTA, reducing the volatility of the share price around NTA swings etc.

Resolution 3 – Re-election of Rebecca Dee-Bradbury - For

Ms Dee-Bradbury was appointed to the Board in 2019 and has many years' experiences in executive roles in BBQ Galore, Lion Nathan, Burger King, among others. She has been a non-executive director of several boards and is still on the boards of BlueScope Steel and Energy Australia. She is known to have experience and skills relevant to corporate turnaround around situations. She brings relevant and varied experience to the board.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY25	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.941	50 %
Incentive – Cash	0.706	12.5%
Incentive – Equity	0.235	37.5%
Total	1.882	100%

The amounts in the table above are the maximum amounts that are envisaged in the design of the remuneration plan.

Given that the remuneration framework relates to both AFI and related companies it is too complex to be briefly summarised here. The Incentive scheme is based on a combination of short-term and long-term measures. Broadly speaking 20% relates to company performance, 60% to investment performance in terms of portfolio value etc and 20% to personal characteristics (which are largely focused on longer term contributions to company/board/employee performance). 25% of incentive payments received must be spent on shares that are bought on market, and these must be held for a minimum of 4 years. The company believes most of the measures focus on longer term success. No measure uses TSR.