

Codan's strategy clearly communicated

Company/ASX Code	Codan Limited (CDA)
AGM time and date	11.00am on Wednesday, 22 October 2025
Location	The Courtside Room War Memorial Drive North Adelaide, South Australia
Registry	Computershare
Type of meeting	Hybrid - link to meeting
Monitor	Stephen Howie assisted by Malcolm Keynes
Pre-AGM Meeting	Yes, with Chair - Graeme Barclay (via video link), CEO - Alf Ianniello, CFO- Michael Barton, Manager Investor Relations - Kayi Li and General Counsel - Daniel Widera

Monitor Shareholding: Some individuals (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	
1.	Adoption of Remuneration Report	For
2.	Re-election of Director - Ms. Sarah Adam-Gedge	For
3.	Approval of the grant of Performance Rights to Mr. Alfonzo Ianniello - (LTI)	For
4.	Approval of the grant of Performance Rights to Mr. Alfonzo Ianniello – Superior Performance Incentive (SPI)	For

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

- Remuneration Report and framework
- Size of Board, Board Skills matrix and Re-election of Directors

3. Matters Considered

Accounts and Reports

A very good result for FY25. Group Revenue of \$674.2m (up 22% on FY24), and net profit of \$103.5m (up 27% on FY24), with corresponding increase in dividend payments. Segment revenue for Communications and Metal Detection business units increasing by 26% and 16% respectively with segment profit also increasing by 34% and 26% respectively.

Financial performance

(As at FYE)	2025	2024	2023	2022	2021
NPAT (\$m)	103.5	81.3	67.7	100.5	90.2
UPAT (\$m)	103.5	81.3	65.5	100.5	97.3
Share price (\$)	20.11	12.03	8.03	6.96	18.03
Dividend (cents)	24.5	22.5	18	28	27
Simple TSR (%) ⁽¹⁾	67	53	18	-60	158
EPS (cents)	57.1	45	36.5	55.6	49.8
CEO total remuneration, actual (\$m)	2.17	1.49	1.07	1.82 ⁽²⁾	1.51

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.

Notes

(1) 2022 CEO remuneration comprises \$0.72m for current CEO for part year and \$1.1m for retired former CEO for part year.

Governance and culture

The Board comprises Independent Chair, 3 Independent Directors and the Chief Executive Officer.

All Directors meet ASA shareholding guidelines. Director workload is within ASA guidelines.

The board size appears small in comparison to other companies of similar market capitalisation, The Chair has indicated that the composition and size of the Board will be reviewed in the light of tenure, and the evolving needs of the business.

A key disclosure for shareholders is a Board Skills Matrix outlining each Board Member's skills, experience, and knowledge. This helps shareholders assess Directors who face re-election. We have requested Codan to consider including this information in the Annual Report, and the Chair has commented that the current disclosure reflects the collective skills of the Board and will review the format and disclosure of the Skills Matrix.

ASA guidelines are that Audit firms should be changed periodically with competitive tender for audit services at 10 years. Codan advises that there has been no formal tender for audit services for some years, however there is regular rotation of Audit Partner. The cost of audit services is regularly benchmarked, and audit fees are at the lower end of the scale.

Key events

Acquisition of Kågwerks, a tactical communication technology company, which complements Codan's existing defence communication business strategy.

Admission to the S&P ASX200 index effective 26 September 2024.

Key board or senior management changes

Mr Pieter Guichelaar has joined the Leadership Team as Chief Operating Officer.

Sustainability/ESG

A well-documented and comprehensive ESG report.

There is extensive climate related disclosure. Scope 1 plus Scope 2 CO₂ emissions down by 32%, while Scope 3 emissions are up 41%. Codan is continuing to develop, refine data capture and reporting of its global carbon footprint. Growth in reported emissions in part is due to increased scale of business activity, as well as improved measurement systems.

Workplace Health and safety statistics show Lost Time Injuries and Near Misses stable, with a small increase in reported incidents. Codan has implemented a global Safety Project and will launch an eLearning programme to all employees in FY26.

Gender Representation figures are stable except for female participation at the Senior Management Level which has declined from 24% to 18%. This is reflection of male dominance in STEM fields in the defence contracting industry.

Codan continues to support the Undergraduate STEM scholarship for Women with the University of South Australia and has also supported University of South Australia's STEM Girls Academy Creative Challenge.

4. Rationale for Voting Intentions

Resolution 1. Adoption of Remuneration Report - (for)

Codan's Remuneration Framework and Structure are well documented in the Remuneration Report with stated objectives of attracting, retaining and motivating high calibre personnel to execute the business strategy and deliver superior returns to shareholders.

Of note during FY25:

- KMP (excluding CEO) fixed remuneration increased by 3.5% effective 1 January 2025
- CEO fixed remuneration unchanged apart from changes to the Superannuation Guarantee Levy.
- STI awards in aggregate totalled \$2.4m representing 83% of STI at maximum. The CEO has elected to take 100% of STI award in equity.

- LTI incentives pursuant to the FY23 LTI plan did not vest as the aggregate EPS performance hurdle was not met.

There are four issues in relation to Codan's Remuneration practices at variance to ASA Guidelines:

- ASA guidelines are that Companies should seek shareholder approval on an annual basis for granting securities to the Managing Director and any other executive director under a share incentive scheme. Approval was sought at the Codan FY23 AGM for grant of STI performance rights to the CEO for FY24, FY25 & FY26.

When current approval expires, we would like to see Codan seeking approval from Shareholders annually for future grants of STI performance rights. Chair has indicated that Codan will continue with the existing 3 Year approval arrangements for STI equity awards. We do not regard this as a significant issue. The CEO's remuneration arrangements are clearly documented in the Remuneration Report and the Explanatory notes to the Notice of Annual General Meeting.

- The Relative Total Shareholder Return component of Codan's LTI performance hurdle vests as to 50% at the 50th percentile pro-rated to 100% at the 75th percentile, compared to ASA guidelines of 30% at the 51st percentile prorated to 100% at the 85th percentile. The differences at threshold, target and maximum levels at the 75th percentile are in the order of 1%-3% for CEO and 0.5%-0.9% for other KMP as a percentage of total remuneration. We do not regard the differences as significant and are non-existent if Codan achieves performance at the 85th percentile.
- LTI performance hurdles are measured over a three-year performance period, compared to ASA guidelines of 4 years. Shares granted to Codan's KMP are subject to disposal restrictions. 90% remains restricted for 2 years after vesting, with a further 10% restricted until 12 months after cessation of employment under Codan's "good leaver" policy.

Given that KMP are likely to participate in future years LTI plans, and the duration of the disposal restrictions, there is significant ongoing incentive to meet ongoing performance hurdles that extend well beyond the three-year performance measurement period.

- Codan rewards KMP with incentive awards in relation to STI and LTI in part or in whole in the form of equity, satisfied by issue of new shares. ASA's preference is for the incentive awards in the form of equity to be purchased on market. There are dilutory effects that arise from the issue of new shares. They are also dilutory effects on operating cashflow if equity incentive awards are satisfied by purchase of shares on market. Our assessment is that purchase of shares on market is marginally decretive to operating cashflow measured on a per share basis.

We support Resolution 1.

Resolution 2. Re-election of Director - Ms Sarah Adam-Gedge - (for)

Ms Adam-Gedge is a Chartered Accountant and was appointed to the Codan Board in February 2023. She is a member of the Audit and Risk Committee.

Ms Adam-Gedge is well qualified, has extensive international experience, currently has ASX listed Company Board roles with Bravura Solutions Ltd, Emeco Holdings Ltd and Aussie Broadband Limited and was former Deputy Chair of Austal Limited.

We have been able to establish that Ms Adam-Gedge has significant experience in at least 8 of the 11 skill areas that appear in Codan's Board Skill Matrix by reference to the Bio included in the Annual Report and the Explanatory Notes to the Notice of Annual General Meeting.

We support Resolution 2.

Resolution 3. Approval of the grant of Performance Rights to Mr. Alfonso Ianniello (LTI) - (for)

Approval is sought for the issue of 33,948 performance rights to the CEO. Full details are set out in the explanatory notes to the Notice of Annual General Meeting

The performance rights are subject to two performance hurdles:

- **EPS Growth Performance Hurdle (67% weighting)**

The EPS growth hurdle has a range of 11% per annum at threshold to 16% per annum at maximum (compared to 8% to 13% for FY24) applied to Base EPS of 57.1 cents per share (compared to Base EPS of 45.0 cents for FY24).

50% vesting if FY28 earnings per share equal 78.1 cents at threshold, with pro rating to 100% if earnings per share reach or exceed 89.1 cents at maximum.

- **RTSR Performance Hurdle (33% weighting)**

The RTSR Performance Hurdle represents relative change in the Company's share price (inclusive of reinvestment of dividends) compared to a peer group and ranked as a percentile of the peer group.

Threshold is the 50th percentile, at which 50% of the Performance rights vest, with pro-rata vesting to 100% at the 75th percentile. This Performance Hurdle is unchanged from FY24.

If this resolution fails, the performance award will be paid in cash.

The threshold to maximum hurdles for EPS growth have been uplifted significantly from FY24. The EPS Growth Performance if achieved will result in EPS ~50% (at Threshold) to ~75% higher than EPS at present. If Codan's dividend policy remains unchanged, there should be a corresponding increase in dividends paid.

Whilst the vesting arrangements for the RSTR performance are at variance to ASA policy guidelines, the differences are not regarded as material and become irrelevant if Codan performs at the 85th percentile.

We support Resolution 3.

Resolution 4. Approval of the grant of Performance Rights to Mr. Alfonso Ianniello – Superior Performance Incentive (SPI) - (for)

Approval is sought for the issue of an additional 33,948 performance rights to the CEO pursuant to the Superior Performance Incentive. Full details are set out in the explanatory notes to the Notice of Annual General Meeting.

The Superior Performance Incentive was introduced in FY24 and received considerable support from shareholders at the FY24 AGM, with over 96% of votes cast in favour.

As with the LTI, if this resolution fails, the performance award will be paid in cash.

There is a single EPS Performance Hurdle, with a range of 17% per annum at threshold to 24% per annum at maximum. This is an uplift from the FY24 SPI (14% to 21% EPS growth)

Vesting of 12.5% (at threshold of 17% EPS Growth per annum) and is pro-rated to 100% vesting if Codan achieves 24% EPS growth in. At threshold Codan's EPS would be 91.5 cents and at maximum 108.9 cents in FY28, representing an increase in EPS of between 79% to 113%

If performance conditions are met, and Codan's dividend policy remains unchanged, there should be a corresponding increase in dividends paid.

We support Resolution 4.

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.

Appendix 1

Remuneration framework detail

CEO rem. Framework for FY26	Threshold \$m	% of Total	At Target \$m	% of Total	At Maximum \$m	% of Total
Fixed Remuneration	1.38	61.99%	1.38	48.90%	1.38	28.95%
STI – Cash*	0.14	6.18%	0.28	9.78%	0.55	11.58%
STI - Equity	0.21	9.29%	0.41	14.65%	0.83	17.37%
LTI	0.50	22.54%	0.75	26.67%	1.00	21.05%
Superior Performance	Nil		Nil		1.00	21.05%
Total	2.22	100.00%	2.81	100.00%	4.75	100%

* STI - Cash can be taken as equity at CEO's election