



Solid progress in early COVID-19 days

Company/ASX Code	ALS Limited/ALQ
AGM date	29 July 2020
Time and location	Online http://web.lumiagm.com
Registry	BoardRoom Pty Ltd
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Sally Mellick with Marion Loughnan and Mike Stalley
Pre AGM Meeting?	Yes with Secretary Michael Pearson and Simon Starr, Investor Relations

Item 1/7	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

ALS Limited is a global testing company operating in Geochemistry - mining; Life Sciences - environment, food and pharmaceuticals; and an Industrial Division - Asset Care. ALS Limited reports at the end of March, and began experiencing COVID-19 impacts in the very late stages of their financial year. The Life Sciences division continued to improve performance and this was reflected in the company's share price until the COVID correction when ALQ went from a close of \$9.89 on 21 February to a low close of \$5.35 a month later. From the summary table below, the share price changes have had a significant impact on total shareholder return.

Despite the beginning impact of COVID-19, ALS Limited reported an increased Revenue of 10% to \$1,368m. Statutory profit decline was impacted by further impairments, however the company reported a 4.3% improvement in underlying NPAT and strong cash flows. The Board and management reported quick action to respond to market uncertainty in response to COVID, flexibly aligning capacity to client demand. The laboratories have remained functioning and in some cases have picked up some new pandemic-related testing.

Governance and culture

Governance and continuous quality improvement appear to be at the heart of the Sustainability Report updated from 2019. A focussed set of projects underpin the outcomes that are documented in the yearly report. These are chosen each year to enhance system operation and data analysis. These activities merge with other innovative aspects, including the use of robotics, to support and develop the company's brand.

Reputation remains a focus and ALS Limited promotes a high level of adherence to certification and safety standards. The 2019-20 year saw outperformance of industry peers in health and safety monitoring results and a loss of four staff members as a result of non-adherence to company standards on certification records.

The company is widely dispersed and uses IT systems to share knowledge, skills and learnings.

Key events

There were continued acquisitions in the life sciences sector in Europe and the Americas which were funded through cash and debt. The company bought back \$22m worth of shares on market. These events together with an impairment charge of \$90m has left the company with a higher gearing level of 41.9% up from 36.7% last year.

Key Board or senior management changes

In November 2019, the Board appointed Leslie Desjardins as Director following the retirement of Mel Bridges in July 2019. The Board continues to show a depth of education, experience and skills that appear very well suited to the company. While there is detailed documentation about the individual Directors, there does not appear to be anything approaching the ASA-preferred matrix view that would indicate each Director's particular contribution to the Board.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	188.8	181.0	51.8	81.6	-240.7
UPAT (\$m)	127.8	153.8	142.2	112.7	108.4
Share price (\$)	5.56	7.59	8.50	6.60	6.66
Dividend (cents)	17.6	22.5	17	13.5	13.5
TSR (%)	-24	5	24	57	-12
EPS (cents)	26.5	31.6	10.3	16.2*	23.7
CEO total remuneration, actual (\$m)	2.649	2.565	2.061	2.316	1.585

* Actual EPS restated for discontinued oil and gas business

For 2020, the CEO's total actual remuneration was **29.6 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2019 data from the Australian Bureau of Statistics).

Note - For November 2019, the Full-time adult average weekly total earnings (annualised) was \$89,585.60 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings", Trend(a)).

Item 2a	Re-election of John Mulcahy as a Director
ASA Vote	For

Summary of ASA Position

Mr Mulcahy joined the ALS Limited Board in 2012. An engineer by training, he was a former Managing Director of Suncorp Metway, completing over 30 years in financial services and investment services. He is presently Chairman of ASX-listed Mirvac and Deputy Chairman of ASX-listed GWA Group, and Chairman of Orix Australia, as well as Director of Zurich Insurance and Zurich Financial Services Australia.

Mr Mulcahy is a member of the People Committee. At the end of the Company's financial year, he held 54,027 shares in the company, well in excess of ASA's minimum shareholding requirement.

Item 2b	Election of Leslie Desjardins as a Director
ASA Vote	For

Summary of ASA Position

Ms Leslie Desjardins was appointed to the Board in November 2019. With a post graduate degree in finance/administration from MIT, she gained senior management experience at General Motors and Amcor, both multinational companies with global operations. She also holds a board position with Ansell as well as the Terry Fox Foundation in Canada. She is a member of the audit and risk committee.

Ms Desjardins has already shown her commitment to the company with the purchase of 7,300 shares, and we encourage her to continue to purchase at appropriate times so that when she comes up for re-election she will own shares to the value of her annual remuneration.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

COVID-19 has put any plans to alter remuneration strategy in abeyance, despite an external report suggesting variable remuneration was below market practice. Additionally, to keep remuneration in line with shareholders and other stake holders, the Board has elected to leave any consideration of increases until the next financial year. There are no changes to the Directors Fee Pool.

The company remuneration strategy is summarised in the company's Annual Report by a simple and understandable flow chart. The elements include how the company manages key risk areas and aligns remuneration outcomes with shareholders' experience. Potential payment for the Managing Director will be made up of fixed pay (46%), STI (27%) and LTI (27%). Extensive tables in the Annual Report provide a view of the remuneration from both actual and accounting perspectives and include information about how STI and LTI awards were calculated for 2020-21.

For executive staff to receive STI payments, the company must exceed last year’s financial performance, then payment is made according to outcomes on two measures: financial (70%), non-financial including health and safety (30%). The company is continuing to use underlying NPAT as the gateway measure rather than the ASA-preferred statutory financial measures for STI rewards for employees. STIs are paid in cash for target performance and an additional 150% can be earned for “outperformance” and is provided in deferred equity after two years with clawback, providing the employee remains with the company. The CEOs achieved 39.9% of the maximum STI award for 2019-20, reduced by Board discretion because of the disappointing outcomes of the Australian Coal Superintending investigation.

LTIs continue to vest over a three-year period, where ASA prefers a longer performance term. LTIs are potentially paid equally on four measures that align with overall company performance. Two are peer comparative (TSR against ASX100 and EBITDA margin against industry peers); and two are based on company performance (EPS growth and ROCE). EPS growth performance measure was fully achieved. The EBITDA margin measure resulted in 23.2% of the possible award, Relative TSR and Return on Capital Employed (ROCE) outcomes both achieved 25% of the possible awards.

The remuneration level attained by the CEO continues to reflect the growth of the company but has been tinged with the COVID impact.

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.5	46	1.5	30
STI - Cash	0.88	27	.88	20
STI - Equity	0	0	0.44	30
LTI	0.88	27	.88	20
Total	3.26	100%	3.7	100%

The amounts in the table above are the statutory 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.

Item 4	Approval of LTI grant to CEO/Managing Director Raj Naran
ASA Vote	For

Summary of ASA Position

The LTI grant of rights for the CEO is based on 60% of his Total Fixed Remuneration of \$US636,540. This translates to 144,743 performance rights based on \$A7.22 VWAP over 10 trading days following the company's full year results announcement on 27 May 2020. This represents the maximum potential that can be awarded if full vesting conditions are achieved on the same continuing four performance criteria, viz. Underlying EPS growth, TSR, ROCE and Underlying EBITDA margins.

ASA prefers the performance period to be greater than 3 years and preferably 5 years, and the use of statutory figures over underlying figures. In the case of ALS Limited, losses from divesting the poorly performing Energy Division are now moving further into history. When there are losses, shareholders lose capital, and ASA considered this should be fairly reflected in the variable earnings of employees.

Item 5	Amendment to Constitution
ASA Vote	For

Summary of ASA Position

The proposed amendment will bring the Company's Constitution in line with the changes to ASX Listing Rules with respect to escrow arrangements that may be required in the future.

Item 6	Confirmation of Auditor
ASA Vote	For

Summary of ASA Position

Ernst and Young were appointed Auditors in September 2019 following the resignation of KPMG as auditors. The appointment noted that KPMG had resigned because of a dispute potentially impacting the perceived independence of the KPMG auditors. The appointment is required to be approved by ordinary shareholders at this AGM.

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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