



ARB – Excellence in performance

Company/ASX Code	ARB Corporation Limited/ ARB
AGM date	Friday 28 October 2022
Time and location	11am AEDT RACV Club Bourke Street, Melbourne
Registry	Computershare
Type of meeting	Physical
Poll or show of hands	Poll on all items
Monitor	Brett Morris assisted by John Whittington
Pre AGM Meeting?	Yes with Chair Robert Fraser and Company Secretary Damon Page

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

Summary of issues for meeting

ARB is a company that is performing well and has well considered disclosure. The company has sufficient gender balance, experience on the board and directors have shareholdings at meaningful levels. The company operates internationally and has given consideration to ASA’s previous requests for disclosure on a 5 year table to assist retail shareholders. The company has made disclosure on its website regarding modern slavery and environmental matters. ASA would like more specific details regarding its environmental performance in future years and notes that Mr Fraser has a high workload.

Proposed Voting Summary

No.	Resolution description	
2	Re-election of Mr Robert Fraser as a Director	For
3	Re-election of Mr Adrian Fitzpatrick as a Director	For
4	Election of Ms Shona Fitzgerald as a Director	For
5	Increase in maximum number of Directors	For
6	Increase maximum aggregate remuneration for non-executive directors	For
7	Repeal and replacement of constitution	For

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

Summary of ASA Position

Consideration of accounts and reports - No vote required

Governance and culture

ARB demonstrates very good governance and transparency with an informative but brief annual report. The Board has provided meaningful information to shareholders while recognising the need to maintain brevity so that competitors are not informed of ARB's more precise activities. Directors have meaningful shareholding in the company and the board is moving towards a greater number of independent directors and greater diversity as founding members retire from ARB and ARB increases the number of directors on its board.

Financial performance

Key events

Covid-19 changed the landscape for ARB. The change in economic conditions saw net profit increase from \$57.2 million in 2020 to \$112 million in 2021 and \$122 million in 2022. The company has implemented growth strategies for the long term and has cash reserves at \$57 million with no debt.

Key Board or senior management changes

Mr Roger Brown retired as Chairman after serving in this capacity for 35 years since the Company listed on the ASX in 1987. Mr Brown will remain a non-executive director and will serve as Chairman of the Remuneration and Nomination Committee, replacing Mr Robert Fraser. ASA congratulates Mr Brown on his significant contribution to ARB in what has been a long period marked by outstanding achievement.

Mr Fraser was appointed as Chairman of ARB on 30 September 2022 replacing Mr Brown. Mr Fraser was appointed as a director of ARB in 2004 and has a significant understanding of ARB due to his longevity with the company.

Mr Lachlan McCann was appointed as the CEO in July 2022. Mr McCann started with ARB in 2001 and has a strong understanding of ARB as a result of his long tenure. Mr Andrew Brown will continue his role as Managing Director.

Mr Forsyth retired as a director in October 2021.

Ms Shona Fitzgerald was appointed as a director in August 2022 and will seek election at the AGM.

ASA focus issues (not discussed under remuneration report or re-election of directors)

ASA considers that a more details skilled matrix could be provided in the Annual Report and matching up directors against skills required and that Mr Fraser has a full workload.

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	122.0	112.9	57.2	57.1	50.9
Share price (\$)	28.24	43.19	17.95	18.20	22.83
Dividend (cents)	71.0	68.0	39.5	39.5	37.0
Simple TSR (%)	-33.0	144.4	.81	-18.6	48
EPS (cents)	149.4	140.0	71.8	71.9	64.3
CEO total remuneration, actual (\$m)	0.850	0.460	0.394	0.407	0.390

[1] Mr Lachlan McCann was appointed as CEO in July 2022. The table records Managing Director, Mr Andrew Brown's salary from 2018 to 2021 and records Mr McCann's salary for 2022. For comparison, Mr Brown will receive \$611,000 in 2022 as a fixed income.

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).

Election or re-election of directors

Three directors will be the subject of voting at ARB's AGM. The board is currently constituted by seven directors. Three of the seven are considered independent under the ASA guidelines with Mr Fitzpatrick, Ms Phin and Ms Fitzgerald having less than twelve years' experience on the board. This is slightly less than the 50% independence recommended by the ASA. The board now has two of the seven directors being women, this being slightly less than the 30% recommended by the ASA.

ASA recognises that the board is characterised by long serving directors who have maintained a stable and small board since listing in 1987. As the board is succeeded by new candidates, ARB has achieved greater independence and gender diversity.

Mr Robert Fraser will seek re-election as a director at the AGM. Mr Fraser was appointed as a director of ARB in 2004. Since publication of the Annual Report for 2022, Mr Fraser has been appointed as Chairman of ARB. Accordingly, Mr Fraser has been replaced as Chair of the Audit and Risk Committee by Ms Phin and has been replaced as Chair of the Remuneration and Nomination Committee by Mr Roger Brown.

ASA considers that Mr Fraser is a very experienced director. However, his workload is high as against the ASA's guidelines noting his chair position at ARB and several directorships. In particular, Mr Fraser is a director of Taylor Collison Ltd, non-executive director of FFI Holdings Ltd and MFF Capital Investments. Mr Fraser is also the deputy Chair of Magellan Financial Ltd which is a company that has experienced difficulties since covid-19 and experienced significant change in senior management since then. Mr Fraser has more than one year of his salary in shares in ARB.

While Mr Fraser has a high workload, ASA will cast its vote in favour of Mr Fraser.

Adrian Fitzpatrick will seek re-election as a director at the AGM. Mr Fitzpatrick has been a director of ARB since 2016 and is a member of the Audit & Risk Committee and the Remuneration and Nomination Committee. He is considered independent by the ASA. In addition to his role at ARB,

Mr Fitzpatrick is a director of Aussie Broadband Ltd. Mr Fitzpatrick has more than one year of his salary in shares in ARB.

ASA will cast its vote in favour of Mr Fitzpatrick.

Shona Fitzgerald will seek election as a director at the AGM. Ms Fitzgerald joined the board in August 2022. Ms Fitzgerald is Managing Director of CGMH Pty Ltd and is a director of Waterfall Springs Sanctuary. The appointment of Ms Fitzgerald will bring greater diversity to the board.

Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO

Remuneration at ARB has always been straight forward. The newly appointed CEO, Mr Lachlan McCann will be paid \$850,000 per annum (inclusive of superannuation) with no short term or long term incentives. ASA considers that the remuneration is at the lower end of the scale considering the market capital of ARB.

The Managing Director, Mr Andrew Brown will be paid \$611,000 per annum with no incentives. Last year Mr Brown was paid \$460,000.

ASA would like to see incentives apply to remuneration however note that remuneration is low and has resulted in the appointment of a skilled CEO in a company that has performed very well including during Covid-19.

Increase in maximum number of directors and aggregate remuneration for non-executive directors

ARB is seeking to increase the maximum number of directors from nine to ten. This will be to facilitate the addition of directors where appropriate.

ARB is also seeking to allow for an increase in its fee pool for non-executive directors from \$800,000 to \$1,200,000. The aggregate sum has not been increased since 2016. ASA notes that several of its directors have been significant shareholders where their reward for good performance has been in the form of shareholder returns. The newly appointed CEO does not have such a significant shareholding and will be paid at a rate closer to the market rate as a result.

ASA considers that ARB's directors are paid at modest sums as compared to companies of a similar market value and note that ARB has achieved excellent results since listing in 1987.

Adoption of new or amended constitution

ARB is also seeking to change its constitution. The current constitution was adopted in 2001 and ASA considers that replacement of the constitution will facilitate a number of updates to bring it in line with Corporations' law changes and other required changes. One of the proposed changes was to allow virtual only meetings but this has subsequently been withdrawn. ASA is happy to see that the company has listened to shareholders and removed this provision and will support the remaining changes.

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Appendix 1 Remuneration framework detail

CEO rem. Framework for FY22	Target* \$m	% of Total
Fixed Remuneration	0.850	100%
STI - Cash	0	0%
STI - Equity	0	0%
LTI	0	0%
Total	0.850	100.0%

ASA considers that remuneration is modest for a company of its size and that its remuneration structure is well disclosed and very straight forward.