

Voting Intentions – Ansell 2021 AGM

ASX Code	ANN
Meeting Time/Date	9am, Thursday 11 November 2021
Type of Meeting	Virtual at http://web.lumiagm.com/308920568
Monitor	John Whittington, assisted by Peter Aird
Pre AGM Meeting?	Yes, with Chair John Bevan and Senior Director, Investor Relations & Treasury, Anita Chow

Proposed Voting Summary

2a	Re-election of John Bevan as a Director	Against
2b	Election of Morten Falkenberg as a Director	For
3	Constitution	For
4	Grant of Performance Share Rights to Magnus Nicolin, Special Adviser to the Board (and former CEO)	Against
5	Grant of Performance Share Rights to Neil Salmon, Managing Director and CEO	Against
6	Remuneration Report	Against

Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (US\$m)	247	159	112	484	148
Underlying NPAT (US\$m)	247	159	151	147	148
Statutory EPS (US cents)	192	122	83	337	100
Dividend per Share (US cents)	76.8	50	46.75	45.5	44
Share Price at End of FY (AU\$)	43.51	36.70	26.85	27.19	23.73
Statutory CEO Remuneration (US\$)	11.131	5.084	4.562	5.206	3.794
Total Shareholder Return (%)	21.0	39.2	1.0	17.0	33.8

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is AUD based and calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

Summary of Historical ASA Issues with the Company

Ansell has traditionally had one of the best remuneration reports around in terms of clarity and understandability. However they also traditionally make adjustments (albeit well disclosed) to

remuneration targets, something which we do not support. As a result we have often voted proxies against a remuneration report which is best practice in many ways.

We have also had differences of opinion with the company regarding director tenure where we consider a director no longer independent after ten years on the board or if recently an employee of the company. Until recently, the board had a number of long serving directors which resulted for some years, in our view, in a board with a non-independent Chair and no majority of independent directors. This has been resolved with some new board appointments and the retirement of two long standing directors which means the board now has an independent Chair (albeit for only one more year) and a majority of independent directors.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- The Board has at least 30% female and at least 30% male directors with an excellent diversity of geography, age, and ethnic background.
- Directors and other KMP have or are investing at least one year's worth of base cash fees in company shares, within 3 to 5 years.
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.

Areas for Improvement

- The skills matrix of the board provided could be considerably improved.

Summary

Ansell generally demonstrates good governance and transparency. We can't comment on fairness to retail shareholders as this usually applies to capital raisings and it has been a long time (2013) since they have raised any capital.

Items for Voting

Item 2a	Re-election of John Bevan as a Director
ASA Vote	Against

Mr Bevan, who previously was CEO of Alumina and prior to that held senior management positions with BOC Group, was appointed to the board in August 2012. He has a shareholding equivalent to 322% of his total remuneration (as at year end) and will be independent until August 2022 when we would consider him no longer independent due to tenure.

Mr Bevan is Chairman of one ASX listed company (BlueScope Steel) and a non-executive director of one other (Alumina). He is also a non-executive director of a charity (Humpty Dumpty Foundation). We do not consider his workload excessive.

We believe that Mr Bevan is well qualified and is likely to contribute to the board. However we are concerned about supporting the election of a director who would likely be Chair for three years when we would no longer consider him independent (to us a requirement of a Chair) this time next year. We have raised this subject with Mr Bevan and he has indicated that he does not intend to stand down as Chair next year.

As a result, we cannot support his re-election.

Item 2b	Election of Morten Falkenberg as a Director
ASA Vote	For

Mr Falkenberg previously was CEO of Nobia (Europe’s largest value kitchen company) and prior to that held senior positions at Electrolux, Tele Denmark, and Coca-Cola in various locations around the world. He will join the board on his election at the AGM.

Mr Falkenberg is currently Chair of a listed Swedish company (Embellence Group AB), a non-executive director of three public European companies (Duni AB, Fagerhult AB, Lammhult AB) and one private company. He has indicated that he will stand down from one public company board and one private company board by 31 Mar 2022. Following this we believe his workload will be significant but not excessive.

We believe that Mr Falkenberg is well qualified and is likely to contribute to the board and will support his election.

Item 3	Constitution
ASA Vote	For

Ansell last year had a proposal to update the Constitution which did not receive the necessary support to pass. They have submitted a modified proposal this year which does not contain elements permitting virtual meetings and now only contains provisions relating to proportional takeovers and to increase the potential maximum size of the board.

We do not see any issues with these proposals and intend to support the resolution.

Item 4	Grant of Performance Share Rights to Magnus Nicolin, Special Adviser to the Board (and former CEO)
ASA Vote	Against

This is for the grant of performance rights for Mr Nicolin which will be judged based on a three-year performance period but pro-rated to 6/36 of that period in line with his time employed by the company.

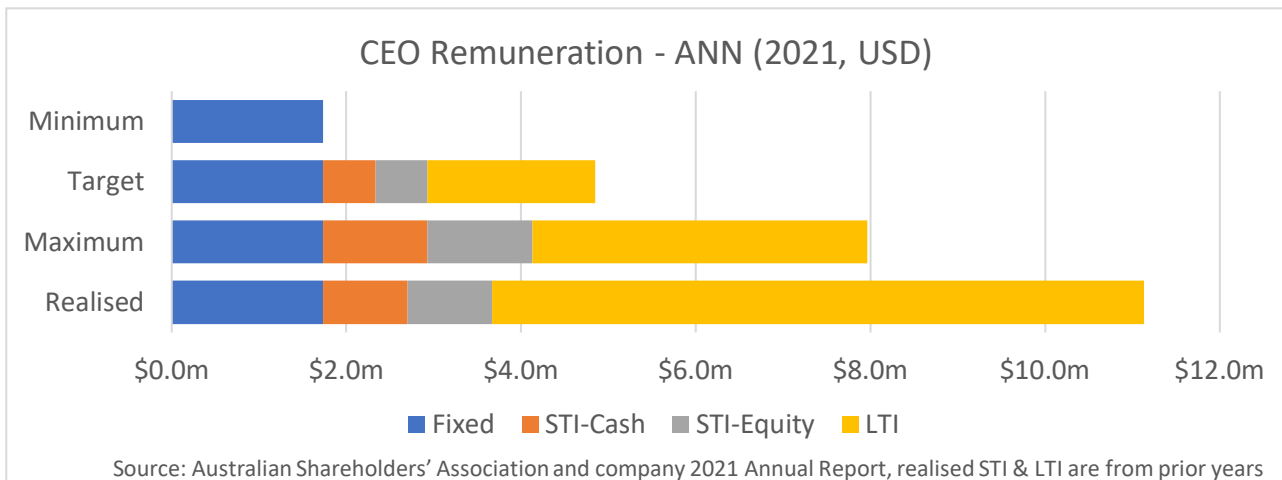
For the reasons outlined in item 6, we cannot support this item.

Item 5	Grant of Performance Share Rights to Neil Salmon, Managing Director and CEO
ASA Vote	Against

This is for the grant of performance rights for the new CEO, Neil Salmon. Please refer to item 6 for discussion of the LTI remuneration structure behind this grant.

For the reasons outlined in item 6, we cannot support this item. Improvement on some of the points would probably enable us to support it in future years.

Item 6	Adoption of Remuneration Report
ASA Vote	Against



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. Realised LTI exceeds maximum due to uplift from the increase in the Ansell share price (almost double) since performance rights were issued.

Positives

- The presentation of the Ansell Remuneration Report remains probably one of the best around and shows that such a report can be both understandable and provide much of the necessary information. We only wish that more companies would follow Ansell's example.
- CEO's actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The quantum of Board fees do not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- At least 50% of CEO's pay is genuinely at risk, with STIs, if any, less than fixed remuneration.
- Majority of STIs are based on quantifiable and disclosed performance metrics and, where non-financial hurdles are used, no STIs to be paid unless a financial gateway is met.
- At least 50% of STIs is paid in equity with a minimum 12 month holding lock.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- LTI hurdles are based on at least two hurdles.
- All share grants are allocated at face value not fair value.
- No retention payment on any awards are subject only to continuing service.

Areas for Improvement

- The total quantum of the CEO remuneration package considerably exceeds the Godfrey Remuneration Group report benchmarks for companies of a similar size (market cap \$3.5-7.5bn).
- Hurdles are based on (often significantly) adjusted earnings rather than statutory earnings.
- The two previous LTI issues to the CEO will pay the full amount rather than the pro-rated amount for his time employed, resulting in a pseudo retirement benefit in excess of 12 months fixed pay (which, whilst approved by previous AGMs, is against our guidelines).
- LTI hurdles are measured or "at risk" over only three years rather than our preferred four or more years.
- LTI awards can pay out if absolute TSR is negative and none are based on TSR.

- The CFO received a significant sign-on bonus in 2019, albeit most as share rights, without any performance hurdles.
- Midpoint vesting with no pro-rating is likely outcome in a takeover or “change of control” event.

Conclusion on Remuneration

Despite the excellent clarity and understandability of the report, there are just too many items in the “areas for improvement” for us to support it. Improvement in just a few of these would probably enable us to support it in future years.

This is a great pity as we often use Ansell’s remuneration reports as a demonstration to other companies of how they should present such a report.

Monitor Shareholding

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

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