Australian Shareholders' Association

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Following the Butterfly Philosophy

Company/ASX Code	Corporate Travel Management
AGM date	Thursday, 28 October 2021
Time and location	11am AEST On-line
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Shirley Watson assisted by Alison Harrington & Ben Lee
Pre AGM Meeting	Yes, with Chairman Ewen Crouch, Director Sophie Mitchell, Global CFO Cale Bennett, and Company Secretary Anne Tucker

The individuals involved in the preparation of this voting intention have no shareholding in this company.

Summary of issues for meeting

Corporate Travel Management (CTM) is emerging from extremely difficult circumstances and managing the impacts of the COVID-19 pandemic with border closures, lockdowns, and government regulations. With a culture of innovation and continuous improvement and strong cash management, CTM acted early in FY20 using its strengths –

Most of its revenue is being generated within the domestic market in each country

A concentration on corporate clients, CTM can maximise investment in customer facing technology – less need for 'shop fronts'.

Capital light – more immediate cost reductions.

The successful acquisition of North American company, Travel & Transport in October 2020 which is setting up for future growth.

	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

As a global provider of travel solutions, which include corporate, events, leisure, and wholesale travel, CTM's first priority is the protection of the health, safety and welfare of its people and clients and quickly adapts the working environment for their safety. Creation of value is dependent on attracting and retaining talented and motivated staff. The Board remains a strong supporter of employment diversity and equal opportunity where they are represented by 40% of female directors, 71% of female employees and the average employee age being 44. During this financial year, CTM scaled back their High-Performance program (HiPo) and other leadership development activities to focus on operational and process training due to the volatile travel landscape. To support this culture, they apply good governance practices and meet ASA standards. ‘Skin in the game’ by Non-Executive Directors of progressively acquiring, within 3 years from appointment, shares of value equal to 100% of base fees is encouraged by the company.

Financial performance

The financial figures clearly show the big impact of COVID-19 on the company in FY21.Total transaction value decreased to $1.6b from $4.6b in the previous year and $6.5b in 2019.

Total Revenue and other income were $200.5 million. This was made up of

48% ($96 million) from the Americas

21% ($43.6 million) from Europe

9% ($18.9 million) from Asia

22% ($42 million) from Australia/New Zealand

Revenue was helped by travel in the essential industries of Government, Health Care and Mining.

EBITA was a loss of $7.2 million and there was a Statutory NPAT loss of $55.4 million compared to a loss of $8.18 in FY20.

Government support, in the form of Job Keeper, in the first half of FY21 assisted job preservation. Government support included $7.8 million in Australia; $7.0 million in Asia; Europe $3.6 million but none was provided by USA. In the second half of FY21 further redundancies could not be avoided, if business was to be sustained. Assistance from the NSW and Victorian governments has assisted more recently.

No dividends were paid in FY21 because the priority was maintaining a strong liquidity position and capital preservation. Before FY20 the company had consistently paid dividends. Future dividends will depend on a return to profitability.

The Company was able to retain a **cash position** of $99 million with **no Debt** and had available facilities of $110.7 million but there was no drawn down debt on this facility. No capital raising was needed to fund operations.

In October 2020 Corporate Travel completed the **acquisition of US-based Travel and Transport**. This was funded by a $375 million institutional and retail entitlement offer which was well-supported and fair to retail shareholders. In a meeting it was said that CTM had been monitoring this company and that COVID-19 presented the opportunity to acquire it. The travel downtime had assisted with the integration with the teams getting together and promoting the strong cultural alignment between the two organisations. The acquisition of Travel & Transport has provided the company with broader and deeper management expertise in the North American corporate travel market. This enhanced scale combined with the company’s advanced proprietary travel technology is intended to position the company for recovery and grow longer term shareholder value. CTM also **acquired Tramada**, the Sydney-based travel technology company. The Group continues to seek merger and acquisition opportunities that add scale in niche travel sectors.

The Group **has become profitable** on an underlying EBITDA basis from April 2021 and remains so. As 80% of revenue is raised overseas, recovery had started in the fourth quarter in North America and Europe, as these countries relax restrictions and are more advanced in rolling out vaccines. Recovery in Asia may be slower because of the many borders.

Risk

The major risk for CTM is its exposure to any **travel disruption** and for the past 18 months this has been the COVID-19 impact, as its financial prospects are dependent on the strength of the global travel industry. This industry has seen unprecedented disruption due to COVID-19 because of government-imposed travel restrictions, border closures and lockdowns together with quarantine requirements. This has caused significant detrimental impact upon corporate travel services, resulting in material adverse effects on CTM's business, financial condition, and operations. Even as vaccine roll outs gather momentum around the world there still is uncertainty about the duration of COVID-19.

CTM also faces a considerable **cyber-security risk**, as it has access to a significant amount of client, employee, and third-party information, through its database of clients. Any attacks on its cyber-security could result in the unauthorised release or misuse of its confidential or proprietary information, its employees, or clients. This could lead to reputational damage, regulatory breaches, financial penalties, litigation, and compromised relationships with clients. CTM manages this risk by having system redundancy, other back-up measures, security, and monitoring programs in place. Cyber security is of concern to Directors and a Report goes to every Board meeting.

A further risk is not being able to attract and **retain talented and motivated staff** with corporate travel expertise such as cybersecurity, software development, data, and analytics.

EGS

These issues are well covered in the company's **Sustainability Report** which is centred on the four Pillars of Governance, People, Planet, and Prosperity. It is noted that the pandemic has caused some sustainability initiatives to be scaled back and others emphasised to create a focused pathway through the impact of COVID-19. The company has a Modern Slavery Statement.

Summary

(As at FY21)	**2021**	**2020**	**2019**	**2018**	**2017**
Revenue ($m)	200.5	349.9	449.5	372.2	325.8
NPAT ($m)	-55.4	-8.2	86.2	77.5	54.6
UPAT ($m)	-7.2	65.0	150.1	125.4	98.6
Share price ($)	21.49	9.41	21.86	26.52	22.97
Dividend (cents)	0	0	40	36	29
Simple TSR (%)	128.4	-55.5	-16.4	20.8	67.1
EPS (cents)	-43	-7.5	77.05	72.14	53.5
CEO total remuneration, actual ($'000)	460.9	436	453.1	535.2	454.3

For FY21, the CEO's total actual remuneration was **5.1** times the Australian Full time adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics)

<u>Keyboard and senior management changes</u>

In recent years the company has undertaken a Board renewal program, which is encouraged by ASA. During FY20 there was the appointment of two Directors, two retirements and a review of committees. There have been no Board changes in FY21. Two Directors will seek re-election at the AGM in October. There is a majority of independent Directors and two Executive Directors, one of whom is the Managing Director and founder of the company. When asked about a possible heavy workload for just 5 Directors in this COVID-19 environment, the Chairman said that, although challenging, the Board had worked well. Additional Directors, possibly international, would be sought after the COVID-19 period. The Chairman referred to the energy, drive and skill of the Managing Director as contributing significantly to the company's progress during COVID-19.

Management Changes - following the completion of the acquisition of Travel & Transport, Kevin O'Malley was appointed as CEO of the North American business with Maureen Brady returning to the role of Chief Operating Officer – North America. Cale Bennett, an internal progression, was appointed as Global CFO.

Item 1	**Adoption of Remuneration Report**
ASA Vote	**For**

Summary of ASA Position

The impact of COVID-19 on FY 21 remuneration was significant. The FY20 challenges continued into FY21. There were no increases to fixed annual remuneration for employees or KMPs across the Group. Total FY21 remuneration for the Managing Director was $460,955. For cost containment under COVID-19 the Managing Director's fixed remuneration was reduced by the equivalent of 25% for part of FY20 and FY21 returning to 100% from 1 August 2020.

No STI or LTI was awarded to the Managing Director in FY21.

All temporary remuneration adjustments made in FY21 were aimed at company resilience and what was judged to drive longer term shareholder returns. There was a focus on talent retention and motivation and to allay employee concerns about job security and to limit staff with transferable skills moving to sectors less affected by the pandemic. There were no STI's for Key Management Personnel (KMPs). All FY19 Share Appreciation Rights (SARs) which were conditional on EPS growth (target being 10% EPS growth) were forfeited. The impact of COVID-19 meant that there was no reward for KMP's under either STI or LTI opportunities for FY21.

As the recovery continues in FY22, the remuneration plan includes:

- A return to full pay and working hours for all staff
- A short-term incentive pool based on the Group achieving positive underlying EBITDA for FY22 and achievement of individual KPIs reflecting regional priorities.
- An equity incentive plan comprised of SARs set at a strike price of $21.19 (5-day VWAP to 30 June 2021) capable of vesting over two and three year performance periods. (ASA prefers at least 4-year performance periods).

In order to balance the various needs with the high level of short-term earnings uncertainty, FY21 was a 'gap' or interim year until business could recover.

The company's FY22 equity incentive program has specifically been modified with grants across two- and three-year performance periods, to address these particular challenges consistent with the priorities of the Group which the Board considers will drive future shareholder returns. A detailed explanation of remuneration is given in the Annual Report. The Board expects that once the business recovers, the equity program will return to the pre-COVID structure.

Non-executive Director base fees remain at $122,500 and Chairman $242,000. $22,500 for each Committee Chair position. To mitigate the impacts of COVID-19 fees were reduced by 33% for the period 1 April – 31 July 2020.

Under the unprecedented COVID-19 circumstances ASA would not oppose the Remuneration Report.

Item 2 (a)	**Re-election of Mr Jonathan Brett**
ASA Vote	**For**

Summary of ASA Position

Jonathan Brett has been a director of the company since January 2020 and was last elected to the Board in October 2020. He is chair of the Company's Audit & Risk Committee and a member of its Remuneration & Sustainability Committee and Nomination Committee.

He has experience relevant to the needs of the company; this includes having been CEO of Techway Limited which pioneered internet banking in Australia. He brings extensive strategic, board and management experience to CTM.

Mr Brett is currently Executive Chairman of Stridecorp Equity Partners and a non-executive Director of Mobilicom Limited.

He is considered independent by the Board. The re-election of Jonathan Brett is supported by ASA.

Item 2 (b)	**Re-election of Ms Laura Ruffles**
ASA Vote	**For**

Summary of ASA Position

Laura Ruffles joined the company in 2010 and was last elected to the Board in 2019. She is the Company's Global Chief Operating Officer. Ms Ruffles has significant local, regional, and global industry experience in a career of more than 20 years. She has led teams across strategy, operations, product development, relationship management, sales, business planning and technology.

Laura Ruffles is also a Director of the Australian federation of Travel Agents.

As Ms Ruffles is an Executive Director, she is not considered to be an independent Director and the Directors (with Ms Ruffles abstaining) unanimously recommend her re-election.

Because of the vital part Ms Ruffles plays in the development of the Company, there is sufficient reason to support her election and ASA will vote for this Resolution.

Item 3 (a)	Approval of the grant of share appreciation rights to Ms Laura Ruffles
ASA Vote	**For**

Summary of ASA Position

The meeting is asked to approve the granting of 62,500 Share appreciation rights (with a two-year performance period) under which shares may be issued to satisfy any vesting to the Company's Global Chief Operating Officer, Ms Ruffles, under the Company's Omnibus Incentive Plan. Permission is being asked as she is a director of the Company.

Ms Ruffles is the only director who participates in the Company's equity-based incentive program. She participates in the same incentive plan as all other senior leaders in the Company (excluding the Managing Director, who does not participate in the equity incentive plan). Where shares resulting from vesting of SARs can be purchased on market, the Board is seeking shareholder permission to issue shares, if that is in the Company's best interests, rather than by on market purchase. Failure to approve the grant of SARs could mean an equivalent cash payment for any SARs that vest.

Talent retention and motivation are critical for the Company's business performance and to create wealth for shareholders. Employees in the travel industry with transferable skills are targeted by other industries during this period of uncertainly. In determining Ms Ruffles' remuneration, including this proposed grant of SARs, the Board considered her role and the business challenges facing the Company and that Ms Ruffles is essential to the operation of the Company's business.

The number of shares to be issued upon vesting of SAR's is calculated by reference to an increase in the price of the Company's shares from a base price determined using a 5-day VWAP up to 30 June 2021 (Base Price) being $21.19 and the 5-day VWAP up to 30 June, 2023. The vesting of the SARs in the relevant performance period is conditional upon satisfaction of the following conditions -

- Ms Ruffles remains in continuous service with the Company for two years and meets conduct expectations.
- Achievement of earnings per share growth over the two-year period.

In the explanatory Memorandum of the Notice of Meeting the company fully sets out the methodology and assumptions used in the calculation of the value of the SARs to be issued and performance hurdles and employment conditions.

Although ASA refers a performance period of at least four years and does not support fair value calculations, this is an exceptional recovery period for CTM. The priority for the Board has been to motivate, retain and recruit talented staff under difficult circumstances to maximise future shareholder returns. ASA will vote for this resolution.

Item 3 (b)	Approval of the grant of share appreciation rights to Ms Laura Ruffles
ASA Vote	**For**

Summary of ASA Position

This resolution to grant 63,500 share appreciation rights over 3 years is supported as for item 3 (a)