



Company	Costa Group
Code	CGC
Meeting	AGM
Date	19 May 2020
Venue	11.00am on-line at agmlive.link/cgc20
Monitor	Henry Stephens and Mike Robey

Number attendees at meeting	NA
Number of holdings represented by ASA	NA
Value of proxies	\$1.5m
Number of shares represented by ASA	510,391
Market capitalisation	\$1.4 billion
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with chair Neil Chatfield

Management positive on 2020 results

The AGM was a virtual meeting held online. It was a very efficiently run meeting with no major controversial issues. All questions had to be submitted electronically – there was no opportunity to ask a question verbally or follow up after the Chairman answered a question. We missed the company's free product handouts and the cup of tea with management and directors which gives us an opportunity to further probe Directors.

The ASA submitted five questions and one statement. Unfortunately the statement was not read out or acknowledged by the Chairman. We wanted to congratulate the company on undertaking a capital raising last year that was fair and equitable to all shareholders. The raising was done on the basis of a renounceable pro-rata entitlement offer which we regard as being the fairest way for a company to raise equity capital. Unfortunately the trend today is for companies to offer retail shareholders a very small allocation of stock which clearly disadvantages retail shareholders and leads to enormous dilution of their capital. This is clearly very unfair to small shareholders and we wanted to complement Costa management for doing the right thing by shareholders.

The Chairman answered the five questions we asked. The ASA voted for five of the six resolutions. We voted against the Remuneration Report because we do not like the options based remuneration structure which we believe is flawed. The calculation of the fair value of the options is completely opaque to retail shareholders and is little understood by the vast majority of shareholders. The Chairman responded that the company is a growth company and options are suitable for such a company. He also mentioned he was disappointed that the CEO received nil STI for the 2019 year and that is proof that the remuneration system works and rewards people when they deliver the desired results. Unfortunately the Chairman did not say that the ASA recommended voting against the Remuneration Report.

The ASA also asked a question about when the Board last benchmarked their Board fees. With the recent decline in many companies' earnings and market capitalization, a substantial number of companies have cut their board fees. Our specific question was will the Costa Board do the same given the hefty 43% decline in the company's market capitalization in 2019? The Chairman said that the Board fees have not been indexed since 2018 and he considers the fees to be below market!