Australian Shareholders' Association Limited
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Costa Group Holdings Limited

ASX code	CGC
Meeting date	25 May 2023
Type of meeting	Physical (and webcast)
Monitor	Henry Stephens (and Mike Muntisov)
Pre AGM-meeting	Yes, with chairman Neil Chatfield and Michael Toby (Investor Relations)

Meeting Statistics

Number of holdings represented by ASA	56
Number of shares represented by ASA	409,098
Value of shares represented by ASA	$1 million
Total number attending meeting	About 35 attendees in the room
Market capitalisation	$1.2 billion
ASA open proxies voted	On a poll. ASA voted in favour of the 2 resolutions

Costa had a very difficult year in CY2022. Net profit before fair value movements in biological assets and material items declined 53% to $30.2 million, partly because of heavy rains in the citrus-growing areas, which resulted in $40 million lower earnings versus forecast. Other key factors to negatively affect profit included low avocado pricing, higher minimum wages/horticultural award rates, and cost inflation pressures due to increased chemical, fertiliser, and domestic/international freight costs.

Despite all these negatives and the very challenging conditions over the last four years (e.g. extreme weather conditions, the pandemic etc.), the Chairman and the interim CEO spoke very positively about the future prospects for the company, which revolve around the citrus and international segments.

The recent 2PH acquisition in Central Queensland has expanded the citrus production footprint from 2 to 3 growing regions and extended the harvest season to capitalise on export market opportunities through exclusive access to licensed varieties. The company is confident the citrus platform will provide strong returns and become a significant global supplier of quality product.

Another contributor to future growth are the new blueberry variety plantings in China and Morocco. In China, the Board has approved a plan to plant 700 hectares of blueberries by 2026, up from currently 400 hectares. This is justified by the strong historical return of 30% on capital employed. In Morocco, the company will plant premium Costa blueberry varieties in the northern farms and expand further in the south at Agadir. Volumes from third party blueberry growers in southern Africa will grow and further strengthen the company's capacity to supply year-round volumes into the European and Asian markets from Africa.

The interim CEO made some very positive comments about the company in the outlook statement. The return to warmer temperatures, higher light levels, and lower rainfall across all the company's major growing regions is a major positive for the farming operations. There has been a substantial improvement in labour availability with backpacker numbers returning to normal. The 2023 international harvest segment is shaping up to be an exceptional year with very strong profit results emerging from both China and Morocco blueberry operations. It's too early to have a strong view on the citrus segment but management is seeing positive indications for both yield and fruit quality. For a full discussion of these issues and the 2022 results, please see the following link to the AGM papers:

https://www.listcorp.com/asx/cgc/costa-group-holdings-limited/news/agm-addresses-with-trading-update-2878254.html

The Costa AGM was subdued event with only two motions on the agenda. The ASA voted in favour of both resolutions, which received more than 95% of the votes cast. The remuneration report was largely the same as the remuneration report in 2021, which the ASA supported. In September 2022, then CEO Sean Hallahan left the business and was replaced by Board member Harry Debney as the interim CEO. As a result of the departure, Mr. Hallahan's STI options were forfeited. Furthermore, key management personnel did not receive any STIs because the minimum performance threshold for CY2022 was not met.

With respect to the second motion, the re-election of Neil Chatfield, the ASA and governance principles view the chair of a board of directors must be independent. We also have a strong view about board renewal and that directors with lengthy tenures can lose their independence, with our guidelines identifying 12 years as a director and 10 years in the role of Chair as long tenure. Mr. Chatfield has been a director of the company now for 12 years and the chairman for 8 years. The ASA is well aware that some directors can outstay their welcome and lose their edge when sitting on a board for such a long period of time. However, the fact that the board is actively looking for a new CEO and Mr. Chatfield is an integral part of this process, the ASA supported his re-election as a director of the company. The ASA made it clear at the AGM that we would like to see the board actively thinking about the chairman's replacement as he will have been on the board for 15 years in three years' time. The reply to this question was that it has not been discussed around the board table and that he will take counsel from the board on this matter in three years' time. In the meantime, Neil Chatfield told us that he remains 100% committed and passionate about the job.