



Focus on clean energy metals notably lithium

Company/ASX Code	IGO Ltd/IGO
AGM date	17 November 2022
Time and location	12 Noon - Doubletree by Hilton, Perth Waterfront
Registry	Computershare
Type of meeting	Hybrid via LUMI
Poll or show of hands	Poll on all items
Monitor	Derek Miller/John Campbell
Pre-AGM Meeting?	Yes, with Chair Michael Nossal

Monitor Shareholding: The individuals involved in the preparation of this voting intention have shareholdings in this company.

Summary of issues for meeting

Sadly, when preparing these voting intentions, we have been advised of the death of IGO's long-time CEO, Peter Bradford. We held Peter in the highest regard for his professionalism, his enthusiasm plus his commitment to preserving the planet. We recognised & respected his inspirational leadership. He will indeed be a huge loss to the mining & resources sectors, business at large, plus the communities with which he was involved. In addition to his role at IGO, Peter championed the mining industry in Western Australia. He was the President of AMEC, an active mentor for Women in Mining WA, and a former WA Mining Club committee member and Vice President. The board has appointed the chief operating officer, Matt Dusci, as acting CEO whilst a search for a replacement is undertaken. We extend our sincere condolences from ASA to his colleagues, family & close friends.

IGO is well governed and performing well and, with the move away from gold by selling Tropicana and into lithium mining and processing with the Tianqi Lithium Energy Australia (TLEA) joint venture, IGO has moved to a clean energy metals company. The significant unknown is how the Kwinana lithium processing plant will perform, but early indications are positive. The Nova nickel mine is IGO's most profitable unit, but with the just-completed takeover of Western Areas the nickel production is planned to grow.

Proposed Voting Summary

No.	Resolution description	
1	Election of Trace Arlaud as director	For
2	Election of Justin Osborne as director	For
3	Adoption of Remuneration Report	Against
4 & 5	We anticipate that the proposed resolutions for approval of equity grants to Peter Bradford, deceased, will be dropped from the agenda	
6	Approval of termination payments in excess of statutory limit to ex-Western Areas MD Dan Lougher	Against
7	Approval of IGO Employee Incentive Plan	For
8	Approval of increase in non-executive director fee pool to \$1.75m	For
9	Renewal of proportional takeover provisions	For
10	Special resolution – approval of financial assistance	For

Consideration of accounts and reports - summary of ASA Position

IGO has expanded over the last 13 years from a small exploration company to a nickel and lithium producing company with a market cap of \$11 billion at the time of writing. In June 2021, IGO sold its 30% ownership in the Tropicana Gold Mine and purchased a 49% interest in the Tianqi Lithium Energy Australia joint venture. This gives IGO a 24.99% ownership in the Greenbushes lithium mine and a 49% ownership in the Kwinana lithium hydroxide plant that is currently undergoing commissioning trials.

In June 2022 IGO finalised the purchase of all the assets of Western Areas for \$1262m, financed by current cash flow and a \$900m debt facility. This transaction gives IGO ownership of the Forrestonia nickel mine and ownership of the currently being developed Cosmos nickel mine scheduled for start-up in mid-2023. This results in a significant increase in IGOs nickel resources and reserves.

The two operating assets this year have been:

- 1) Nova mine which performed better than guidance with a free cash flow margin of 64%,
- 2) Greenbushes mine (24.99% ownership) which performed at guidance level with an underlying EBITDA margin of 72%. Its reserve grade is 2.0% lithium oxide which is the highest grade of all the operating and proposed lithium mines in Australia.

With such margins these are two very successful and profitable mines.

IGO continues a very active exploration programme with \$75m planned for the current year. Priority areas are:

- 1) Nova and Silver Knight (brownfield projects)
- 2) Forrestonia (brownfield project)
- 3) Frazer Range (greenfields)
- 4) Paterson Range and Kimberley (greenfields)

5) Greenbushes area for rare earths and PGM metals.

Some positive results are continuing to come from the DeBeers database acquired over a decade ago.

Governance and culture

The Board has a majority of independent directors and meets all ASA guidelines. IGO culture is firmly focussed on safety and the environment, and this is emphasised in the Annual and Sustainability Reports. By moving into lithium and divesting gold assets, IGO has taken steps to move its goal to being a business 100% focussed on clean energy metals.

Financial performance

IGO had revenue of \$903m which was above FY2021 of \$672m. NPAT was \$331m compared with \$164m last year after adjusting for the profit on the sale of its 30% interest in Tropicana. The dividend was 10 cents, the same as last year from earnings of 43.7 cents per share. TSR was 31.2% almost totally due to the share price increase.

Key events

As mentioned above the key event was the purchase of Western Areas assets increasing nickel production and the nickel resource base.

Keyboard or senior management changes

As noted at the start of these voting intentions, we record the sad death of Peter Bradford in October 2022, and the appointment of Mr Matt Dusci as acting Chief executive Officer. Mr Peter Bilbe retired from the Board at last year's AGM and was replaced as Chairman by Mr Michael Nossal, a Melbourne-based mining executive with appropriate experience with Newcrest and other mining companies. Since year-end, Ms Trace Arlaud and Mr Justin Osborne have been appointed non-executive directors – more information below. In September 2022, Non-executive director, Mrs Kathleen Bozanic was appointed Chief Financial Officer replacing Scott Steinkrug. She has retired from her non-executive board position.

ASA focus issues

IGO complies with ASA guidelines with respect to focus issues.

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	331	549*	155	76	53
Underlying EBITDA (\$m)	717	475	460	341	339
Share price (\$)	9.94	7.63	4.87	4.72	5,14
Dividend (cents)	10	10	11	10	3
Simple TSR (%)	31.6	57.7	3.5	Minus 6.2	64.1
EPS (cents)	43.7	80.9	26.5	12.9	9.0
CEO total remuneration, actual (\$m)	3.76	2.80	1.47	1.76	0.98

*2021 NPAT included the profit on sale of the Tropicana gold mine \$385m. Profit after tax excluding this gain was \$164m.

Election or re-election of directors

At the time of writing, the board comprises 7 directors, all non-executive, three female (43%), and all directors but one having had resource industry backgrounds. Three are geologists by profession and two are engineers, one mining one chemical. All are independent directors and after Peter Bradford's death, there are no executive directors. The longest serving two directors were appointed in 2014. The number of female directors was recently reduced by one, when Kathleen Bozanic stepped down from the board to take on the role of chief financial officer. One Perth-based director, Peter Buck, is not seeking re-election at the AGM, leaving three other WA resident directors, one interstate and two US residents.

The two directors standing for election are Ms Trace Arlaud and Mr Justin Osborne. They were appointed in August and September 2022 respectively.

Ms Arlaud holds degrees in mine engineering, geology and geophysics and is chief executive of underground mining entity IBM and serves as a non-executive director on the boards of Global Atomic Corporation (a listed Canadian uranium miner), Seabridge Gold Inc (Canadian exploration company listed on the NYSE) and Imdex Limited (ASX:IMD).

Mr Osborne is a mining executive with a geology degree who until recently was an executive director of Gold Road Resources Ltd until June 2021 and currently serves as non-executive chair of Matador Mining Ltd and as a non-executive director on the boards of Hamelin Gold Ltd and Astral Resources Ltd. The ASA weighs a chairmanship of a listed company as being the equivalent of two other directorships, so we assess his workload as being 5 listed companies which is our upper limit of acceptability. We will ask if he is confident of being able to discharge his duties to IGO but assuming a satisfactory response, we will vote in favour of his election.

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

We attach an appendix showing the basis of the IGO remuneration plan and a table showing components of the CEO's remuneration for FY22, which follows the normal practice of a fixed salary, short-term incentive in cash and equity and a long-term incentive in equity. The CEO's structure is applied in a similar manner to other KMP with lower levels of incentive pay and higher proportions in salary. Disappointingly, the remuneration report does not disclose details of the FY20 LTI performance rights which would have been evaluated as at 30 June 2022, and the extent to which the hurdles which applied to those rights were achieved and the rights converted to shares. From the information on page 80, it would appear that 80.1% of such rights were converted and vested but we have no details as to how this was determined.

There was no repetition of the board's 2021 decisions to award extra cash bonuses with which we disagreed, but the company continues to assess the long-term incentive on a three-year appraisal period which we believe to be too short. For a company of IGO's size and status, we believe a 4-year LTI appraisal period is the minimum requirement and for this reason we will continue to vote against the remuneration report.

Apart for the LTI appraisal period, our other concerns with the remuneration structure are relatively minor, being that there is no mandatory cancelling of LTI vesting if TSR is negative (this being at board discretion) and that relative TSR allows vesting if IGO's TSR is at the median of the

comparator group – ASA prefers vesting to commence only if TSR is above the median of comparator companies.

These concerns should be viewed in the context of a remuneration structure designed to retain staff at IGO in face of competition from other mining sector entities. The three-year appraisal period for LTI awards is the yardstick in many other such entities. The remuneration structure applies to a larger group of management staff in addition to the key management personnel listed in the report. Overall, we believe the remuneration plan for IGO KMP to be fair and reasonable as per its design, but we believe that IGO, now it is in the ASX200 and well into the upper end of that group, should be changing its LTI to a 4-year appraisal period.

We would vote in favour of resolutions to allocate equity rights to executive directors if the resolutions in the notice of meeting were to be put to the vote.

Approval of termination benefits to Mr Dan Lougher

Mr Lougher was CEO of Western Areas until its takeover by IGO and he had been with Western Areas since 2006. Mr Lougher received a change of control bonus of \$1,291,198 from Western Areas, and a further \$1,190,878 from IGO under his employment contract on termination. The resolution seeks approval to pay him an additional \$786,917 in redundancy pay which would be prohibited under the Corporations Act unless approved by shareholders. However, the obligation to pay this benefit to Mr Lougher is a pre-existing WSA contractual liability and payment will be consistent with IGO's obligations to fulfil those contractual commitments. We see no reason why this benefit should be approved and will vote against the resolution.

IGO Employee Incentive Plan (EIP)

The EIP has been in place since the 2019 AGM and seeks to provide incentive awards to employees consistent with industry norms. Renewal of approval for the EIP is required under ASX rules limiting the number of shares that may be issued annually and restricting the grant of benefits to executives without shareholder approval. It also provides exemption from relevant Companies Act requirements limiting retirement benefits to leavers. The EIP is an employee equity plan developed to meet contemporary equity design standards and to provide the greatest possible flexibility in the design and offer choices available in respect of various new equity schemes. The EIP enables the Company to offer employees a range of different employee share scheme (ESS) interests. These ESS interests or 'awards' include options, performance rights, service rights, deferred shares, exempt shares, cash rights and stock appreciation rights. The type of ESS interest that may be offered to employees will be determined by factors including tax consequences and legal requirements in differing jurisdictions.

Approval of increase in non-executive director fee pool to \$1.75m

IGO is asking shareholders to approve an increase in the fee pool from \$1.5m to \$1.75m. The maximum payable to directors was last increased in 2015. Effective 1 July 2022, the Company's non-executive chair is entitled to directors' fees of \$280,000 pa (an increase of \$20,000 on 2022), and non-executive directors are entitled to fees of \$150,000 pa (up \$10,000 pa) and committee chair's fees of \$25,000 pa (unchanged). Aggregate fees paid to directors in 2022 were \$1.01m but would have been approximately \$1.22m given the same number of directors as currently in office. IGO cites the possible need to increase board numbers and the amount of fees in future years. Whilst there is a significant margin between current fees and the existing pool limit, IGO has grown exponentially in recent years so an expansion of the board in future is not unreasonable

and the increase in the pool limit provides flexibility for orderly transition from longer serving directors to new appointees.

Renewal of proportional takeover provisions

We support the renewal of constitutional provisions which prevent a predator bidding for only a proportion of a shareholder's interest. We prefer full takeovers so that shareholders are not left with a controlling shareholder.

Special resolution – approval of financial assistance

Resolutions of this nature are routine following a successful takeover. The Companies Act prohibits a company from providing financial assistance to another company to enable the purchase of the first company's shares unless the arrangement is approved by shareholders. After a takeover, the group acquires cash holdings in the new subsidiary and the new subsidiary's assets are often used to secure borrowings of moneys needed to fund the takeover. Both instances apply to IGO's takeover of Western Areas and full details are provided in the Explanatory Memorandum including advantages and disadvantages of giving approval. We see the advantages as exceeding disadvantages for IGO shareholders and will support the special resolution requiring a 75% majority of votes cast at the meeting.

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Appendix 1

Remuneration framework detail

The remuneration report is reasonably easy to understand and contains adequate details of the arrangements.

Fixed salaries are set out in the annual report, and we have no reason to take exception to the amounts shown. The FY22 STI target opportunity is a percentage of fixed salary ranging from 50% for some KMP through to 100% for the CEO at target. Maximum STI is awarded for stretch performance up to 50% more than target. Of the total STI awarded, 50% is paid as a cash bonus post-year-end and 50% in service rights of which half vest after 12 months' service and half after 24 months' service following year-end. The service rights are allocated based on the average market value of IGO's shares in the post-annual report period. Performance targets are set in 5 areas (with FY22 results in brackets) – sustainability (15% ex 20%), culture (22% ex 20%), operational performance (22% ex 20%), financial performance (21% ex 20%) and transformation (30% ex 20%). In 2022, the overall performance was assessed at 110% of target. Adequate details are given to enable an understanding of how the scorecard was evaluated and STI awards determined.

The FY22 LTI will be assessed over the period 1 July 2021 to 30 June 2024 against 6 hurdles, relative TSR, absolute TSR, reserve growth, EBITDA average margin, climate change response and people & culture. For the CEO, the LTI opportunity is the amount of fixed salary whereas for other KMP it ranges from 50% to 81% of fixed salary. The award is designated in performance rights with their number determined by dividing the award with the average market value of IGO's shares in the post-annual report period.

CEO remuneration framework for FY22	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.87	33.30%	0.87	28.57%
STI - Cash	0.435	16.70%	0.6525	21.43%
LTI – service rights	0.435	16.70%	0.6525	21.43%
LTI – performance rights	0.87	33.30%	0.87	28.57%
Total	2.61	100.00%	3.045	100.00%