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Company/ASX Code	**Inghams Group Limited (ING)**
AGM date	**5th November 2020**
Time and location	10am Sydney time. https://agmlive.link/ING20
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Elizabeth Fish assisted by Allan Goldin
Pre AGM Meeting?	Yes, with Inghams Chair Peter Bush, Chair of People and Remunerations Committee Helen Nash, Chair of Finance and Audit Michael Ihlein, Chair of Risk and Sustainability Jackie McArthus, Managing Director & CEO Jim Leighton, Chief People Officer Grant Kerswell, and Gary Mallet CFO

NOTE: ASA WILL BE ATTENDING THE VIRTUAL MEETING VOTING ANY PROXIES WE RECEIVE AND ASKING QUESTIONS AS NORMAL

Please note any potential conflict as follows: The individuals involved in the preparation of this voting intention have shareholdings in this company.

Item 1	**Consideration of accounts and reports**
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

In keeping with the company's strategy to project a view of the most trusted food producer in the market, the MD's report to shareholders in the Annual Report (AR) gives detailed coverage on the many aspects of sustainability, the environmental and social impacts the company makes, including animal welfare, climate change adaption and resilience initiatives the company engages in. For example, to combat seasonal drought ING commissioned a bore water treatment plant at Te Aroha in New Zealand. Corporate Governance policies, at least 13 of these are shown on the company website.

At the Pre AGM meeting we asked about the program to incorporate recycled content into packaging and about the compostable packaging alternatives mentioned in the AR. We were told that these projects include increasing the content of recycled fibre in cardboard packaging, replacing the PET trays with versions that are kerbside recyclable and overall the company is looking to reduce the amount of plastic used while not compromising product quality and food safety, but no indication as to timing.

Workplace safety is critical to organisations where manual work and heavy equipment increase risk of accidents. The Fy.20 LTIF reduced to 3.8 from 6.9 in Fy19, included one serious incident. There was a serious accident in FY19. However, the company has confirmed the employee has now returned to work. The ASA asked about WH&S training and were informed that induction is performed on-line and additional site-based training takes place at the facility for all contractors and employees.

The company's policy on sustainable procurement on p19 of the FY20AR, includes information on the establishment of a whistleblower policy that covers all aspects of the business and reports directly via an external line to the General Counsel and the Chief People Officer.

In Fy20 the company reported a statutory profit of $40.1m, that included the one off negative impact of AASB-16 $23.7m and paid a fully franked dividend of 14¢ per share. The share price dropped slightly to $3.20 in June 2020. At the pre AGM meeting the Chairman indicated that the business had been tracking well until the end of the 3rd quarter, then the covid-19 lockdown and lack of tourism caused out of home consumption to drop. In spite of this, revenue still increased by 3%, although gross profit was lower due to cost of sales increasing by 5%. At the pre AGM meeting ASA was told that a high grain price due to the extensive drought was the main contributor to this increase. We also noted that distribution costs had increased and understand this increase was due to additional volume, and incremental costs associated with additional storage to accommodate higher levels of inventory.

There were no capital raisings in FY20. Net debt has increased by$50.9m. The Groups leverage ratio is 1.8x.

Michael Ihlein was appointed to the Board in October 2019 and Ricky Lau retired from the board in June 2020. There were a number of senior management changes, Ian Brannan, Janelle Cashin, Quinton Hildebrand, Mick Mahon and Adrian Revell left the organisation and Gary Mallett joined as CFO.

As we noted earlier in the report, Covid-19 had a significant impact on ING in terms of sales volumes. While some benefits were paid to employees in NZ, these were paid in order to encourage employees who were required to self-isolate, to not go to work. No other government support was received.

Summary

(As at FYE)	**2020**	**2019**	**2018**	**2017**	**2016**
NPAT ($m)	40.1	126.2	114.6	160.3	106.6
UPAT ($m)	78.9	103.2	108.0	n/a	n/a
Share price ($)	3.20	4.05	3.78	3.37	n/a
Dividend (cents)	14.0	19.5	21.1	2.6`	n/a
TSR (%)	-24	12.3	18.4	n/a	n/a
EPS (cents)	10.79	33.79	30.81	n/a	n/a
CEO total remuneration, actual ($m)	1.7	2.73	n/a	n/a	n/a

For 2020, the CEO's total actual remuneration was 18.4 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

The CEO's remuneration figure does not include the 93,721 restricted shares with a value of $400,000 he was awarded in Fy20 as a one off additional award, as these shares are in escrow until 15/12/22. Termed a Management Recognition Incentive and included in the FY19 remuneration report P30. The Board chose to recognise what was called "significant progress" achieved by the CEO and MD, even though the gateways for the FY19 STIP were not met. This award was not included in the FY19 Notice of Meeting. As details of the escrow agreement are not shown, we are unsure how dividends and voting rights are treated. These shares are not included in the table of shareholdings of Directors and KMP, (P58 FY20AR).

Item 2	**Election of Michael Ihlein as a Director**
ASA Vote	**Undecided**

Mr Ihlein joined Inghams Board in April 2020. He holds a Bachelor of Business Studies (accounting) from the University of Technology, Sydney, and has significant experience across fast moving consumer goods and supply chain logistics companies having held senior executive roles at Coca-Cola Amatil and Brambles Limited. Mr Ihlein is a fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia. Mr Ihlein is Chair of Ingham's Finance and Audit Committee and a member of the People and Remuneration Committee. He presently sits on three other ASX listed companies, CSR Limited, Ampol Limited and Scentra Group Limited in addition the Kilfinan Australia, a not-for-profit mentoring organisation. On September 1, 2020 he purchased 45,455 shares for $149,547. Which is equivalent to one years fees.

While the ASA has no issue with Mr Ihlein's independence we are concerned that the workload for three other ASX listed companies may compromise his ability to manage his commitment to Inghams. We hope he will speak to the meeting and address this matter.

Item 3	**Re-election of Jacquelin McArthur as a Director**
ASA Vote	**Undecided**

Ms McArthur was appointed to the board in September 2017. Her professional experience includes MD ANZ for Martin-Brower Company and time spent at McDonalds in supply chain and restaurant support roles for Asia Pacific, Middle East and Africa.

Ms McArthur is Chair of Inghams Risk & Sustainability Committee and a member of the People & Remuneration Committee. She also sits on the Boards of Tassel Group Limited and Invocare Limited. The ASA notes that Ms McArthur joined the board of QUBE holdings in August 2020 and this information was omitted from the Notice of Meeting. As with Mr Ihlein, the ASA is concerned that the workload three other ASX companies in addition to Inghams board and two sub-Committees. Ms McArthur holds 19,126 ING shares.

We would have liked to understand what Ms McArthur's formal qualifications are. We would like Ms McArthur to speak to the meeting with regard to management of her workload.

To show alignment with shareholders ASA believes that a Director should have purchased shares equivalent to one year's fees after three years on the board. Jacquelin McArthur is below that shareholding.

Item 4	**Re-election of Helen Nash as a Director**
ASA Vote	**For**

Ms Nash was appointed to the board in May 2017. Her professional experience covers executive positions across the consumer packaged goods, media and quick service restaurant industries. She has spent time with McDonalds in Australia and in New Zealand in brand and consumer marketing roles.

Ms Nash is Chair of the People and Remuneration Committee and a member of the Nominations Committee. In addition she sits on the Boards of Metcash Limited and Southern Cross Media Limited. Ms Nash holds 29,370 ING shares. We would have liked to understand what Ms Nash's formal qualifications are as they are not shown in the NOM.

To show alignment with shareholders ASA believes that a Director should have purchased shares equivalent to one year's fees after three years on the board. Helen Nash is below that shareholding.

Item 5	**Adoption of Remuneration Report**
ASA Vote	**Against**

Summary of ASA Position

The Remuneration Report is confusing and difficult to make sense of in relation to activities in FY20. The Notice of Meeting (NOM) is a slight improvement but there are a number of missing criteria and a backdated award is included. The NOM explains that during FY20 the Board decided to abandon the existing long term incentive plan and FY19 LTI award as it applied to the CEO Mr Jim Leighton. Shareholders had approved the FY19 and FY20 grant of performance rights at the AGM held on the 17 October 2019. At the AGM scheduled for 5th November 2020, shareholders will be asked to approve the recently developed MD and CEOs long-term incentive (TIP) for FY20 and FY21. These two awards have been analysed in detail under items 6 and 7.

The executive KMP and other senior members of the management team participate in the Short Term Incentive Plan (STIP), paid as cash or for the CEO as 50%cash and 50% equity, modified by a behaviour moderator to ensure that good results are achieved in an ethical manner. So far only three members of the executive have been invited to participate in the plan. The non financial measures relate to an individual's performance against some pre-determined objectives that are not published, but include safety and maintenance of product reputation. The second measure is underlying EBITDA. For FY20 the target was $190m. This target was not achieved, however the Board exercised its judgement and awarded KMP between 40 and 45% of their target STIP.

For the FY18 and 19 LTI plans still on foot 75% is subject to ING's EPS performance and 25% is subject to a relative TSR condition. In FY20 the TSR percentile rank was 70.25% so 90,5% of the rights vested, the EPS component will not vest.

LTIP or revised LTI offer was used to re-calculate the FY20 remuneration for the three current KMP included in the offer. The performance period commenced in April 2020 and ends June 2022. The offer is a grant of performance rights and the number of rights issued is based on the VWAP of ING share price in the 10 days after 27 August 2019. The performance conditions are 50% based on strategic objectives and 50% on financial objectives, underlying EBITA and absolute TSR goals. The underlying EBITDA target of $190M was not met at June 2020. Target performance against the non-financial KPIs was met in full. The result of the TSR objective has not been shown. As the performance period has just commenced and it runs for three years the ASA would ask is this a long term measure/incentive?. If it is long term why start measuring from the first year, as a reasonable person would expect the measures should be cumulative.

CEO Statutory remuneration 2020

CEO rem. Framework for FY20	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.5	25.0%	1.5	22.2%
STI – Cash	.75	12.5%	1.125	16.6%
STI – Equity	.75	12.5%	1.125	16.6%
LTI	3.0	50.0%	3.0	44.6%
Total	6.00	100.0%	6.75	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *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.

No KMP were awarded fixed remuneration increases in FY20. We see from the NOM that the CEO's total possible variable remuneration in FY20 is $2.250m and in FY21 is $3.0m, so there is a potential $750 thousand increase in one year.

The ASA has numerous objections to the measures employed in the remuneration plan and will not vote in favour the report. Most of these objections are shown in items 6 and 7.

Apart from KMP remuneration the ASA thought some board fees are very high for a small cap. of around $1.13bn. From Fy20 AR, we note the Chairman's fee of $350,000 is well in excess of the average fee quoted in the Godfrey Remuneration Guide, all Industries database, for a ASX listed company with Cap 1.5bn to 3.5bn in the Industry & services category, which is $227,000.

Item 6	**Approval of grant of performance rights to the Managing Director and CEO under FY20 Transformational Incentive Plan (TIP). This plan developed in FY20 replaces the long-term incentive plan(LTIP)approved at the FY 19 AGM**

ASA Vote	Against

Summary of ASA Position

The grant of 703,868 performance to the CEO as his Fy20 TIP with a face value of $2,250,000 VWAP price = $3.19662.

- 3 years commencing 30/6/2019, ending 25 June 2022. No retesting
- Conditions = Tenure, and Individual Performance, The two gateways.
- 50% strategic Objectives (covering culture, cost and consumer)
- 50% Financial measures, There are two of these;
- cumulative underlying EBITDA against target, awards 20% at threshold of target. 30% at stretch
- Absolute Total Shareholder Return (TSR) over 3 years, awards 20% at threshold of target, 30% at stretch. The Absolute TSR is set by the company, disclosed retrospectively.
- The targets for the three year EBITDA and TSR will be released retrospectively. In year three.

The ING board considers the retrospective approach appropriate as they consider their targets commercial in confidence. The ASA is aware that many ASX listed companies do disclose their absolute TSR targets, for example Challenger Limited. The ASA don't see how setting and disclosing TSR over three years can give competitors an advantage. To expect that shareholders should sign off on an undisclosed target shows a lack of respect.

Further, the ASA also believes that underlying earnings is not an appropriate measurement as shareholders lose value with write downs and restructuring costs in terms of reduced share value and dividends and while the NOM and AR is silent on what "threshold" means in terms of awarding remuneration in respect of the financial measures, the ASA has the view that awards should only vest when 50% of target is reached and then only at 30% of the award. We note from P52 of the AR regarding the 2 financial measures, the award starts paying 20% of 25% at threshold.
ASA has a fundamental problem with the granting of a backdated award as this means that the targets have been set a 1/3 of the way through the testing period

Item 7	Approval of grant of performance rights to the Managing Director and CEO under FY21 Long Term Incentive Plan.
ASA Vote	Against

Summary of ASA Position

The grant of 901,882 performance rights to Mr Leighton as his FY21 LTIP award.

The performance period is three years starting 28 June 20 and ending 1 July 2023. There are two performance conditions

- 50% of the available award is dependent on Relative Total Shareholder Return (RTSR), measured against ASX 200 companies, excluding companies classified as financial, mining and resources.
- Vesting of 50%-of award when threshold, that is the 50th percentile of the relative group is reached and 100% when the 76th percentile is reached.
- The remaining 50% of the award is to be measured against Return on Invested Capital (ROIC) utilising underlying return on Invested Capital pre AASB-16 and net operating profit after tax. The ROIC for each of the three years will be averaged to arrive at the final outcome.
- The vesting schedule is the same as for RTSR.
- The target is not disclosed as the ING board considers it to be commercially sensitive.

The ASA notes that most of the effect of AASB-16 occurred in Fy.20, and asks why it should be removed from the calculation going forward. The ASA has similar objections as in item 6, regarding lack of disclosure, and underlying measures. A performance period of 3 years is too short.