



## King Coal and New Hope Corporation

<b>Company/ASX Code</b>	New Hope Corporation Limited/NHC
<b>AGM date</b>	Tuesday 20 November 2018
<b>Time and location</b>	12 noon Theatre Auditorium, Ipswich Civic Centre, Ipswich
<b>Registry</b>	Computershare
<b>Webcast</b>	No
<b>Poll or show of hands</b>	Show of hands
<b>Monitor</b>	John Collins
<b>Pre AGM Meeting?</b>	Yes, teleconference with Chair Robert Millner

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

#### Governance and culture

NHC has a well-developed Governance programme and appears to have a culture aligned with that programme.

#### Financial performance

NHC had a relatively good year with revenue of \$1,078.6m, up 28% from 2017. This increase was due to the coal price increase as volume was only up 4% and profit on oil operations only just broke even. However, the net profit after tax (NPAT) of \$149.5m is due mainly of the impairment of the Colton project (\$132m) where the project expenditure was written off and that Project is now under review. 'Other expenses' and losses on 'cash flow hedging' contributed a further negative of some \$37m. However an added positive for the Group was clawing back some \$1m on the previously impaired Solid to Liquids project.

The Company paid a generous dividend by paying 67% of the NPAT as dividends (12 cents/share) where previously 39% has been paid. This dividend is a substantial improvement on 2017 (refer table below). Also, with a total shareholder return (TSR) of 107%, any person holding NHC shares would be very pleased.

#### Key events

During the year NHC came to an agreement to purchase Wesfarmers' 40% of Bengalla subject to joint-venturers' pre-emptive rights. Should this be finalised it has the potential to add \$435m to the company's revenue and, hopefully, an increase in the dividend. The New Acland Stage 3 was not finally resolved by the year end.

## **Key Board or senior management changes**

There were no changes to the Board or Senior Management during the year.

## **ASA focus issues**

NHC satisfies the ASA Focus Issues of Remuneration Disclosure and Shareholder Participation but does not for Skin in the Game and Board Composition.

Only three of the seven directors meet ASA values holding criterion of the value of held share after three years of service is equal the current total fixed remuneration (TFR).

The Board has only two independent directors (out seven) and one of those is the only female director on the Board.

## **Summary**

As at FYE 31 July	2018	2017	2016	2015
NPAT (\$m)	149.5	140.6	-53.7	-21.8
UPAT (\$m)	NA	128.7	5.0	51.7
Share price (\$)	3.19	1.60	1.60	191
Dividend (cents)	12	6	8	9.5
TSR (%)	107	4	-12	-33
EPS (cents)	18	16.9	-6.5	-2.6
CEO total remuneration, actual \$m (CEO actual/AWE*)	2.0 (24)	1.75 (21)	1.32 (16)	1.32 (16)

Note - For May 2018, the Full-time adult average weekly total earnings (annualised\*) was \$85,831.

<b>Item 2–Resolution 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

## **Summary of ASA Position**

The NHC Remuneration Report is clear and easy to read. The quantity of remunerations are reasonable and in line with the NHC's Executive Remuneration Policy and Framework.

The short-term incentive (STI) is an annual cash award against internal targets without any delayed locks. The performance achieved against hurdles is provided and seem reasonable. ASA would prefer that 50% of the STI be held over for one year.

The long-term incentive (LTI) is a rights based system with the Remuneration Committee setting the target value of the rights and the number of rights issues is based on the five day volume weighted average price (VWAP) prior to 31 July. The rights vest against a relative total shareholder return (ASX200 TSR) and Strategic Plan Delivery. Each has 75% and 25% weightings respectively. The hurdles are set and evaluated by the Remuneration Committee. Whilst the detail of this

arrangement is opaque historical outcomes are reasonable. The performance period is three years. ASA would prefer four or five years. The LTI also has a Service Condition clause that must be satisfied to receive the vesting LTI.

The Remuneration Report for this year shows an annual take home pay for all directors and senior management. We congratulate NHC for the inclusion of this data.

Whilst ASA has minor issues with the STI and LTI, the Remuneration Report is supported.

<b>Item 3-Resolution 2</b>	<b>Re-election of Mr Todd Barlow as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Barlow has made himself available for re-election as a director of NHC. He was elected as a director in April 2015. He is Chair of the Nomination Committee and member of the Remuneration and Audit committee.

He is Managing Director of Washington H Soul Pattinson and Company Limited (appointed 2015) the New Hope's holding company and prior to that was Managing Director of Pit Capital Partners. He is a Director of TPI Enterprises (appointed 2015).

He has a legal background and has extensive experience in corporate finance, including coal.

Mr Barlow has 19,000 shares. After three years of service, ASA would expect Mr Barlow to have about 47,000 shares to suitably demonstrate his commitment to the Company.

Mr Barlow has demonstrated his competency as a director and ASA will support Mr Barlow's re-election in the expectation that he will increase his shareholding to a level that demonstrates support of company.

<b>Item 4-Resolution3</b>	<b>Re-election of Ms Susan Palmer as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Ms Palmer has made herself available for re-election as a director of NHC. She was elected as an independent director on 1 November 2012. She is Chair of the Audit Committee.

She is a director of Charter Hall REIT, RCR Tomlinson and QUBE being appointed in 2015, 2014 and 2017 respectively. She is a chartered account.

She has 15,000 shares. ASA would expect her to have some 55,000 shares to adequately demonstrate her support of the Company.

Being one of the two independent directors and obviously competent, ASA will support her re-election with the expectation that she increases her shareholding in the Company to that which adequately demonstrates her support of the Company.

<b>Item 5-Resolution 4</b>	<b>Approval of LTI grant to Managing Director Shane Stephan</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

It is proposed to grant Shane Stephan 157,463 rights in accordance with the Company's Employee Performance Rights Plan for the period 2018 to 2020.

The rights were calculated from a LTI value of \$505,000 divided by the five day VWAP ending 31 July 2018 of \$3.2067 per share.

The performance period is three years and no subsequent delayed lockup.

The rights vest subject to performance and service conditions.

The performance conditions are the relative ASX200 TSR and the Strategic Plan delivery. These have weights of 75% and 25% respectively.

ASA would prefer to have a performance period of four of five years with some portion with a delayed lockup.

The quantum of and process adopted to calculate the values are reasonable and the historical results of LTI awards are acceptable.

ASA will support the grant of 157,463 rights to Shane Stephan.

The individual involved in the preparation of this voting intention has a shareholding in this company.

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