



## Growth slows but still a Business Priority

<b>Company/ASX Code</b>	Reliance Worldwide Corporation Ltd
<b>AGM date</b>	29 October 2020
<b>Time and location</b>	10.00 am, Virtual
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Peter Aird assisted by John Whittington
<b>Pre AGM Meeting?</b>	Yes, with Chair Stuart Crosby, Phil King (Investor Relations Director) and ASA Buddy John Whittington.

The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

<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

The company's web site has comprehensive information on the business and Corporate Governance. It is recognised that the Management Team should aim for further diversity.

#### Financial performance

In view of the constraints imposed by the COVID-19 pandemic, a sales increase to \$1,162m (5.3%) seems very satisfactory. However, the company has published constant currency figures this year, which shows that the constant currency sales increase was 0.3%, with the Americas doing well (+6.1%) and Europe/Middle East (EMEA) sales falling 12.9%. Thus, the reported change in EBITDA (-10.1%) was reduced by currency variations which flowed through to the reported NPAT (down 32.7% or 17.7% after "adjustments"). The company has indicated that it will start reporting financial results in \$US from FY2021-22 (US Sales >60% of total).

It is noted that costs (selling/warehousing/marketing and administration) have risen 7-9% since 2019, mostly in the US. Currency changes explain some of this increase, but continuing focus on cost control within the business is required to return to historical profit levels.

Dividend for the year has dropped to 7.0 cents/share, with the payment of the first half dividend (4.5 cents/share) delayed until October 2020 due to the Covid 19 uncertainty in trading conditions. Total Shareholder Return was -14.5% for the 2019-20 year. The share price has recovered significantly since the full year results were announced, although it has yet to regain the significant drop (26%) after the 1<sup>st</sup> half 2020 results were announced on 24 February.

It is again noted that RWC's share price is volatile. In 2019-20, the price peaked at \$4.76 in early February before dropping 28% to \$3.42 on announcement of first half results. The share price dropped further to a minimum of \$1.72 in late March before climbing steadily to \$2.94 at the end of June. It has continued to rise to over \$3.80 following the full year results and rising a further 10% after the Investor Day briefing on 1 October. As an example of the volatility, in the week 14-18 September 2020 and in a flat market, the share price varied between \$3.74 and \$4.01, closing at \$3.83.

### **Key events**

A cost of \$10.7m was reported due to restructure of UK and US operations, including the closure of the Tennessee plant. An impairment of \$22.7m was reported due to the "decision to cease investment in selected non-core products and a review of RWC's Spanish manufacturing operations".

### **Key Personnel changes**

RWC announced on the 12 March that "following a review, it will be reorganising the financial, strategic and corporate development activities encompassed by the current Group Chief Financial Officer", CFO Gerry Bollman would leave RWC. He received Good Leaver entitlements. The CFO for RWC Americas Andrew Johnson was appointed to act in the position before being confirmed as RWC Group Chief Financial Officer in July. No other changes were identified.

Two Non-Executive Directors (NED's) have been appointed since the 2019 Annual Meeting. Christine Bartlett was appointed in Nov 2019 and Ian Rowden was appointed in Jul 2020. Both NED's appointment will be subject to re-appointment at this year's AGM (see below for details).

The Director's Skills matrix has been updated to include manufacturing, building products, distribution channels and stakeholder relations. Board skills around Mergers and Acquisitions that are strongly supported appear less significant to support current a more organic strategic direction. The Board structure has been reviewed and further appointments are being considered.

### **Risk Management**

Details of RWC's response to the COVID-19 pandemic are provided in the Annual Report under Risks – General Economic Conditions and the Operating and Financial Review. Comprehensive details are provided, and the Chair praised Management's response as "extraordinary", with each geographical business responding as required to their particular circumstances. Mr Crosby indicated that the enforced changes to business practices (particularly travel and communication) had improved aspects of the business's performance such as how the Board meets and resolving supply chain issues.

## Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	89.4	133.0	66.0 [1]	65.6	-1.6
UPAT (\$m) [2]	130.3	152.0	84.6	64.1	-4.9
Share price (\$)	2.94	3.52	5.36	3.34	3.09
Dividend (cents)	7.0	9.0	6.5	6.0	0.0
TSR (%)	-14.5	-32.6	62.4	10.0	NA
EPS (cents)	11.4	17.0	12.3	12.5	(0.30)
CEO total remuneration, actual (\$m)	2.44	2.05	2.52	4.15	[3]

[1] Not including contribution from John Guest and associated expenses and financing cost.

[2] Based on reported "Adjusted" NPAT, "used by RWC to assess Operating performance".

[3] Full Year payments not available, post float amounts reported.

For 2020, the CEO's total actual remuneration was **27 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

<b>Item 2.1</b>	<b>Re-election of Christine Bartlett as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

Ms Bartlett was appointed to the Board on 6 Nov 2019 and retires in accordance with the Company's Constitution. Being eligible, she offers herself for re-election to the Board

Ms Bartlett is an experienced senior executive and CEO with national and international experienced gained with IBM Jones Lang LaSalle and National Australia Bank. Her commercial perspective, technical and organisational experience is valued, and she was appointed as Chair of the Nomination and Remuneration Committee. She has a degree in science and has completed senior executive management programs.

It is noted that Ms Bartlett's workload is at the top end of ASA's guidelines with 4 other NED appointments and does not have any of the new expertise identified in the Board Skills Matrix. She has purchased a significant quantity of RWC shares during the year. Her different technical and organisational experience indicates that she will provide the Board with an alternative perspective and her re-election can be supported.

<b>Item 2.2</b>	<b>Re-election of Ian Rowden as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

Mr Rowden was appointed to the Board on 6 July 2020 and retires in accordance with the Company's Constitution. Being eligible, he offers himself for re-election to the Board

Mr Rowden's experience includes significant global roles focusing on marketing, commercial and operational activities particularly with The Coca-Cola Company. Other roles had a strong marketing and international emphasis. His diverse experience in developing and executing strategic business growth plans is particularly valued. He is currently a NED of one other ASX listed company (ASX: EGG) and a partner of Innovate Partners, a US based venture capital company. He is based in the USA. He is a member of RWC's Audit and Risk Committee.

Whilst Mr Rowden's broad international and marketing experience will support the company's future direction, it is of concern that he does not have the new skills identified in the Board Skills Matrix. As a USA director with substantial international experience, his re-election can be supported.

<b>Item 2.3</b>	<b>Re-election of Russell Chenu as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Chenu was appointed to the Board on 11 April 2016 and retires in accordance with the Company's Constitution. Being eligible, he offers himself for re-election to the Board.

Mr Chenu has a finance background and most recently was CFO at James Hardie Industries (2004-13), where he remains a Director. He is also a NED at CIMIC and Metro Performance Glass Ltd. He is Chair of the Audit and Risk Committee

His expertise, industry knowledge and experience are of significant value to the Board and supports his re-election. His "skin in the game" is well above ASA guidelines.

<b>Item 2.4</b>	<b>Re-election of Stuart Crosby as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

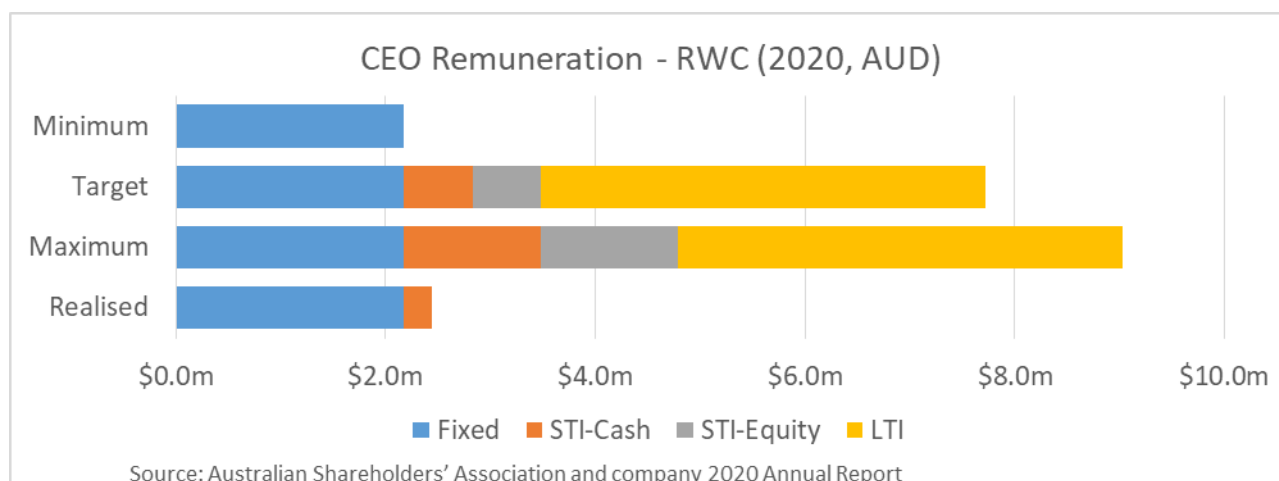
Mr Crosby was appointed to the Board on 11 April 2016 and retires in accordance with the Company's Constitution. Being eligible, he offers himself for re-election to the Board

Mr Crosby's background is in securities with a career in the securities industry (ANCSC, ASX) and Computershare where he was CEO for nearly 8 years until 2014. He is Chair of AMES Australia. He was appointed Chair of the Board in 2019.

Mr Crosby's expertise and experience "enhance the Boards ability to oversee the Company's performance and governance" and ASA can support his re-election. His "skin in the game" is above ASA guidelines.

<b>Item 3</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position



### Notes:

The LTI shown is a Rights Issue and relates to the acquisition of John Guest in 2018, assessed at the end of June 2020 but not paid until June 2023.

A further LTI (not shown) of 4,000,000 options (value \$9.28m) that relates to the company's performance post share market float will be finalised at the end of FY 2021.

Both the CEO's and CFO's fixed remuneration are above the P75 rate for Australian companies of similar market capitalisation (Godfrey Remuneration Group data). Mr Crosby indicates that this is required due to the executives being based in the USA and meets local conditions. Both the CEO and CFO took a 20% cut in their fixed remuneration in May and June as a response to the Covid 19 Pandemic.

As financial performance for the year was below the minimum required, this component of the STI (50%) was not awarded. However, the Board approved an STI award for the CEO of 1.33 times On Target Entitlement for achieving personnel KPI's, unlike 2019 when no personnel STI's were awarded following below minimum financial performance.

The LTI Rights Issue (John Guest) had financial and non-financial conditions. The EBITDA conditions were not met but Run Rate Synergies financial target was exceeded by 25%. Non-financial metrics were evaluated by the Board and a rating of 29.5/40 (36.875%) was assessed, resulting in 61.875% of the total Rights being retained. These will vest on 30 Oct 2023 if a service condition is met.

The company has indicated that it has employed external consultants to review remuneration with a view to the Nomination and Remuneration Committee developing a revised framework during FY2021. As a member of the Nomination and Remuneration Committee, Mr Crosby was asked about his views. He indicated that Board discretion had been used to delete personnel STI awards in 2019 (Board financial gate) and that he preferred both absolute and relative measures for future LTI awards.

The CEO's Fixed Remuneration and STI conditions for 2021 remain unchanged pending the framework review.

The company has not yet developed a policy requiring Non-Executive Directors or Key Management Personnel to hold shares in the company. It is noted that Ms Bartlett acquired 20,000 shares during the year, but Ms McCrohan (NED since 27 Feb 2018) has not purchased any. The company has introduced a scheme encouraging employees to purchase shares (providing one free share for every two up to a cap of \$2500).

There have been no significant changes to the structure of the company's Remuneration Report in FY2020, so that the short comings we pointed out in 2019 still exist (e.g. lack of CEO actual pay table, low percentage of the CEO's pay at risk (primarily due to the lack of annual LTI's), no formal financial gateway on STI's, no policy requiring NED's to hold skin in the game). However, given the company's successful response to the Covid-19 pandemic, the ASA can support this report. It is noted that the outcome of the current remuneration review will be judged strictly against ASA guidelines in 2021.

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