



## A disappointing year for shareholders

<b>Company/ASX Code</b>	Whitehaven Coal/WHC
<b>AGM date</b>	Thursday 22 October 2020
<b>Time and location</b>	Virtual Meeting 10am AEDT
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Geoff ORROCK
<b>Pre AGM Meeting?</b>	No

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

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

### Summary of ASA Position

FY2020 was a very disappointing year for Whitehaven Coal shareholders.

Statutory NPAT was \$30.0M (FY2019 - \$527.9M), a fall of 94%. EPS was 3.0 cps (FY2019 - 53.5 cps).

Statutory EBITDA was \$306M (FY2019 - \$1001.2M), a fall of 70% due to lower coal prices, lower coal production and another significant increase in unit costs of 12% following on the previous year's increase of 8%.

Operating cash flow was \$146.4M, down 84% on FY2019.

Net debt increased to \$787.5M up from \$161.6M in the previous year. Gearing increased from 4% to 20%.

Dividends totalling 1.5 cps were paid during FY 2020 (47 cps in FY 2019). One year TSR was \$(2.21) per share or (60% lower) due to a share price fall from \$3.66 to \$1.43.

There were 20 Injuries during the year representing a TRIFR of 4.1 per million man hours

The Environmental Enforcement Action Frequency Rate doubled over the year returning to near FY 2017 levels.

## Summary

(As at FYE)	2020	2019	2018	2017	2016
Stat NPAT (\$m)	30.0	527.9	524.5	405.4	20.5
Stat EBITDA (\$m)	306.0	1001.2	1002.2	714.2	224.1
Share price (\$)	1.43	3.66	5.78	2.87	1.08
Dividend (cents)	1.5	47	33	-	-
TSR (%)	(61.3)	(28.5)	112.9	165.7	(18.2)
EPS (cents)	3.0	53.5	53.1	40.7	2.1
CEO total remuneration, actual (\$m)	2.36	6.25	7.53	4.33	2.43

For FY 2020, the CEO's total actual remuneration was **26 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

<b>Item 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>Against</b>

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.530	32%	1.530	NA
STI - Cash	0.765	16%	0.956	NA
STI - Equity	0.765	16%	0.956	NA
LTI	1.836	36%	NA	NA
Total	4.896	100.0%	NA	NA

## Summary of ASA Position

The key elements of WHC's FY 2020 remuneration components were largely unchanged:

- Fixed remuneration (FR) benchmarked against peer companies. In FY 2020 the MDs FR was increased from \$1.50M to \$1.53M.
- Short term incentive (STI) opportunity equal to FR for the MD if target performance in financial and non-financial goals were achieved, and 125% maximum, delivered 50% in cash and 50% in deferred equity with a service based condition tested after one and two years
- Long term incentive opportunity equal to 120% of FR for the MD was awarded as performance rights at no cost. Vesting is subject to Relative TSR hurdles tested after 3 and 4 years and a Cost Target hurdle to be tested in Jun 2023, with a 1 year service condition.

The company included Tables of Realised Pay, and STI and LTI Outcomes.

Only the STI Safety Target was achieved and the MD received an award of \$0.535M which was 28% of maximum. Production, Costs and Environmental Enforcement Targets were not achieved. 50% of the STI award was deferred into equity. Other executives received commensurate amounts against their personal KPIs. In FY21 it is proposed to increase weighting of Environmental Targets.

The LTI awards granted under the 2016 (TSR Tranche 2) and 2017 (TSR Tranche 1) and Costs Hurdle Award LTI plans reached the end of their respective performance periods and were tested after 30 June 2020. Due to the TSR performance of 66% over the four year performance period the LTI awards granted under the 2016 (TSR Tranche 2) vested at 64% or \$0.277M. The LTI awards granted under the 2017 (TSR Tranche 1) LTI plan failed to satisfy the performance condition and therefore lapsed in full. The Costs Hurdle Gateway and the Costs Hurdle Target were set in 2017. Actual costs for FY20 of \$75/t exceeded the Costs Hurdle Gateway and the 2017 Costs Hurdle Award lapsed in full. In FY 21 it is proposed to add a further performance hurdle which is discussed in Item 2.

We have commented to the Company that the FY 2020 outcome was not helped by lower production volumes and a second year of cost increases both of which we believe executives should have had well under control, particularly in the low coal price environment and that much more emphasis must be put on these business fundamentals.

Regrettably in FY 2020 we have decided to withdraw our support of this Resolution.

<b>Item 2</b>	<b>Approval of LTI grant to CEO/Managing Director Paul Flynn</b>
<b>ASA Vote</b>	<b>Undecided</b>

### Summary of ASA Position

The Company proposes to grant Mr Flynn a long term incentive (**LTI**) allocation comprised of 1,200,000 Rights. Vesting of these rights is subject to achieving the performance hurdles set out below. The rights will be tested in Jun 2023 and Jun 2024.

The value of the LTI Awards to be granted to Mr Flynn is \$1,836,000 (equal to 120% of his annual fixed remuneration for FY2020). The number of LTI Awards to be granted was calculated by dividing \$1,836,000 (the total value of Mr Flynn's LTI Awards) by the volume weighted average price of ordinary shares in the Company over the 20 trading day period that commenced 10 trading days prior to 30 June 2020, being \$1.53.

Mr Flynn's LTI Awards will vest and become exercisable subject to three performance hurdles. 35% of the LTI Awards will be subject to a relative total shareholder return performance hurdle, 50% will be subject to the Company achieving a defined cost per tonne target and 15% will be subject to delivery of Strategic Priorities, each underpinned by a gateway condition.

The Rel TSR awards will be tested on performance over periods of three and four years commencing on 1 July 2020. The Cost awards will be tested after 3 years with 50% of the award being subject to a 1 year service condition. Progress on Strategic Policy Delivery will be tested after 4 years.

<b>Item 3</b>	<b>Re-Election of Dr Julie Beeby</b>
<b>ASA Vote</b>	<b>Undecided</b>

### Summary of ASA Position

Dr Beeby has served as an independent non-executive director of the Company since 17 July 2015 and is a member of the following committees: Governance and Nomination Committee and Health, Safety, Environment and Community Committee (Chairman).

She has more than 25 years' technical, operations and strategy expertise and experience in the minerals and petroleum industries in Australia including major Australian and US resources companies and is Chief Executive Officer of the ASX listed coal seam gas producer WestSide Corporation Ltd. Currently Dr Beeby is a non-executive director of Tasmanian Networks Pty Limited.

Dr Beeby has a relevant interest in 65,000 ordinary shares in the Company.

We look forward to hearing Dr Beeby’s comments before deciding whether to support her re-election.

<b>Item 4</b>	<b>Re-Election of Mr Raymond Zage</b>
<b>ASA Vote</b>	<b>Undecided</b>

Mr Zage has served as an independent non-executive director of the Company since 27 August 2013 and is not a member of any Board committees. He is the founder and CEO of Tiga Investments Pte Ltd. He has been involved in investments throughout Asia in various industries including financial services, infrastructure, manufacturing, energy and real estate. Previously, Mr Zage was the Managing Director and CEO of Farallon Capital Asia, and prior to that worked in the investment banking division of Goldman, Sachs & Co. in Singapore, New York and Los Angeles.

He has a relevant interest in 9,200,000 ordinary shares in the Company.

We look forward to hearing Mr Zage’s comments before deciding whether to support his re-election.

<b>Items 5 and 6</b>	<b>Amendment to the Constitution</b>
<b>ASA Vote</b>	<b>Against</b>

**Item 5 :** To amend the constitution to insert beneath Clause 9 'General meetings' the following new sub-clause: “The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to a material risk as identified by the company and cannot either advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company.”

**Item 6 :** Subject to and conditional on Item 5 being passed by the required majority, to consider and, if in favour, to pass the following as an ordinary resolution: “ Shareholders request the company disclose, in subsequent annual reporting, a plan that demonstrates how the company will wind up its coal production assets and operations in a manner consistent with the climate goals of the Paris Agreement.

This plan should include:

- Details of how the company’s capital expenditure will facilitate the efficient wind up of coal operations and assets in a timeframe consistent with the Paris goals;
- Production guidance for the lifetime of coal assets that is consistent with the Paris goals;
- Plans for decommissioning and rehabilitating asset sites at the end of their Paris aligned lifetimes;

- Plans for how employees of the company will be informed of asset closures, and employee transition plans, including any compensation for job losses, training and support in seeking future employment; and
- Details of how remaining capital in the company will be returned to investors.

### **Summary of ASA Position**

ASA does not support either of these resolutions. In regard to Item 5 our experience is that shareholders have always had an opportunity to express opinions either in meetings of the Company or by writing comment to the Company. As for Item 6 we do not believe that shareholder interests would be in any way increased by such a resolution.

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