



**a2 Milk Annual Shareholder Meeting, Melbourne
20 November 2018**

ASA monitor Brett Morris attended the A2 Milk (ATM or A2M) AGM representing both ASA **and NZ Shareholders Association**. His report appears below:

MD and CEO Jayne Hrdlicka outlined the strong performance of a2 Milk (ATM) by discussing the key results, ATM's desire to invest in its brand and distribution into the USA, UK and China as well as legislative changes in the important and growing China market. ATM's presentation to shareholders can be [viewed here](#).

Chair David Hearn recognised the need to explain the remuneration paid to Ms Hrdlicka given media attention on that issue and the weight shareholders often place on remuneration issues. Mr Hearn explained that the sum paid to Ms Hrdlicka compensated her for the shares that she would have received had she remained at Qantas. Ms Hrdlicka's remuneration is at risk given that it has both short- and long-term hurdles. Ms Hrdlicka explained that she sold a significant number of her ATM shares to meet pre-existing financial obligations.

Shareholders asked the board about supply issues experienced by retailers in China. Ms Hrdlicka explained that ATM's rapid growth is causing some issues with supply and also demonstrated her knowledge of the complexities of meeting demand from China through direct sales and the [Daigou](#) network as well as meeting demand in existing markets that ATM wishes to grow.

Shareholders asked about environmental outcomes including global warming and the use of recyclable packaging by ATM. In response, Mr Hearn stated that ATM does not manufacture products thereby suggesting that ATM had no say in the type of packaging used. The Australian Shareholders' Association (ASA) considers that such a response did not answer the shareholder's question: ATM has contracts with its manufacturers and thereby is likely to have at least some say in the type of packaging used for ATM products with respect to packaging recyclability.

The ASA contributed to the discussion regarding Ms Hrdlicka's remuneration. The ASA and NZSA differ on the issue as to whether a CEO should also be a director. This discussion prompted Mr Hearn to respond by explaining that the joint appointment was common and probably expected by most senior directors seeking a CEO appointment.

The ASA and NZSA have worked together in a cross- Tasman effort to monitor ATM, a company listed in Australia and NZ. ATM has foreshadowed its intention to hold future ASMs on an alternating basis between Australia and NZ. ATM assisted its shareholders by having the ASM online which allowed remote shareholders to ask questions.

The ASA and NZSA supported all of the resolutions save for the election of Ms Hrdlicka given her remuneration and significant sale of shares in ATM, which relayed a negative message to the market. Given the international nature of the ASM, the vote was conducted via a poll with the results announced by the ASX. All resolutions were carried with the fees for the auditor, election of Ms

Hrdlicka and re-election of Mr Every-Burns receiving more than 95% approval. The re-election of Mr Hinton received approximately 80% approval while the increase in remuneration for non-executive directors by NZ\$415k received only 67% reflecting a lack of support for such a significant increase. The ASM received positive media coverage given the achievements of ATM in the last year. Approximately 110 people attended. Between the NZSA and the ASA, we held proxy votes for 320,000 shares (A\$3.1m value). ATM has 735 million shares on issue.