

Wholesale and logistic support to more small retailers

Company/ASX Code	Metcash Limited/MTS
AGM time and date	2pm AEST on Friday, 13 September
Location	Whiteley Room, Amora Hotel Jamison Sydney, 11 Jamison St, Sydney
Registry	Boardroom
Type of meeting	In-person meeting with webcast and written online questions
Monitors	Patricia Beal & Elizabeth Fish
Pre-AGM Meeting	Yes, online, with Chairman Peter Birtles, Margie Haseltine (Chair, People, Culture & Nomination Committee), Steve Ashe (GM Corporate Affairs & Investor Relations)

Monitor Shareholding: the individuals involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2	Re-elect Margaret Haseltine	For
3	Adopt the Remuneration Report	For
4	Approve grant of Performance rights to CEO Doug Jones	For
5	Special Resolution to approve financial assistance under section 260B(2) of the Corporations Act.	For

2. Summary of Issues and Voting Intentions for AGM

- Issue of shares and share purchase plan (SPP) allocation
Some shareholders had their proportion of shares reduced to a smaller allocation.
- Remuneration (Rem) issues
 - a) Proposed gateway for long term incentive (LTI) awards for Resolution 4, for FY24 - FY27.
 - b) LTI is only over 3 years, whereas ASA recommends longer.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Metcash has 3 pillars of its activities: Food (52%), Liquor (32%), and Hardware (16%) of revenue this year.

Accounts and reports

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	257.2	259.0	245.4	239.0	(56.8)
UPAT (\$m)	282.3	307.5	299.6	252.7	198.8
Share price (\$)	3.94	3.90	4.79	3.55	2.49
Dividend (cents)	19.5	22.5	21.5	17.5	12.5
Simple TSR (%)	6.0	(14)	40.6	48.4	(8.9)
EPS (cents)	25.8	26.8	25.0	23.4	(6.2)
CEO total remuneration, actual (\$m)	4.57	4.1*	6.01*	5.25	3.21

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

*CEO Total Rem in 2023 included a sign-on grant of \$0.63m, no actual LTI. CEO's Total Rem for FY24 contains components for STI for FY23 and FY24, and LTI for FY24. For FY22 there was a different CEO.

In conditions where many people were struggling to pay bills for food etc, Metcash managed their businesses to produce a similar profit to last financial year. At the same time, they expanded the Hardware offering when tradies were in short supply, and various materials for the building industry were limited.

A matter of note regarding the Food pillar (around 50% of total) is the effect of falling tobacco revenue on that pillar's sales. Previously, MTS had significant sales from tobacco, which fell due to availability of illicit tobacco and vaping. The fact that overall food revenues were not worse shows the significant increase in Food (ex-tobacco) sales. Analysts had expected significant decreases.

Project Horizon, which aims to modernise the technology infrastructure of the Food and Liquor pillars, made progress. Spending this financial year was \$34.6m. Completion is anticipated before the end of FY26 (previous estimate was end of FY25).

Acquisitions: In March 2024, MTS acquired Bianco Constructions and Alpine Truss, both in the Hardware pillar.

Smaller acquisitions, in the Total Tools (TT) section of Hardware, were partial (51%) ownership of 5 retail stores, and establishment of two greenfield TT joint venture stores. There were also changes in the ownership structures of other Total Tools stores.

There were the usual small numbers of store inclusions and departures from the IGA networks in Food and Liquor pillars.

Governance and culture

Board Skills matrix: not included in this year's Annual Report again. The Matrix can be found in the Corporate Governance Statement 2024, page 8.

Key events

Feb 24: Institutional placement of shares of \$300m

March 24: Share purchase plan for shareholders, originally capped at \$25m, was increased to \$60m when applications of \$153m were received. Some shareholders did not receive as many shares as applied for.

Key board or senior management changes

No Board changes this financial year. Non-executive director, Christine Holman, has advised she will resign at the end of the FY24 AGM.

Key Management Personnel changes:

Feb 24: Group CFO Mr Alister Bell retired; Ms Deepa Sita appointed.

March 24: CEO Australian Liquor Marketers Mr Chris Baddock retired; Ms Kylie Wallbridge appointed.

Jan 24: CEO Total Tools Mr Paul Dumbrell stepped down; Mr Richard Murray appointed.

Sustainability/ESG

The Sustainability Report 2023 was summarised in the Annual Report, and is available in full on the MTS Website. The 2024 ESG Report will be available shortly. The company is making progress towards its goals such as for net zero (Scopes 1 & 2) by 2040, and reducing its use of plastics.

More information in the Report.

ASA focus issues (not discussed above or under remuneration report or re-election of directors)

Placement of new shares, and associated SPP

We were disappointed that many shareholders who applied for the allowable maximum of \$30k of shares would have had their applications scaled back.

However, we were assured that most of those taking up the offer were small shareholders asking for smaller numbers of shares. Shares were allocated proportionally to the already held numbers, with the exception of those with much smaller requests, and those were allocated a minimum parcel of \$1,000 in shares.

4. Rationale for Voting Intentions

Resolution 2 Re-elect M Haseltine (for)

ASA favours Ms Haseltine's re-appointment. Her skills include supply chains and logistics, change management, technology, and governance. To align her interests with those of shareholders, Ms Haseltine holds ~122,000 shares, having been on the Board for only 3 years (appointed May 2021).

Resolution 3 Adopt the Rem Report (for)

Noted the STI Equity component deferred for 1 year has been increased.

LTI conditions were changed to include a gateway for FY25, but still delivered over only 3 years. ASA prefers that LTI be spread over 4 or more years, to encourage long term planning and then carrying out of plans to achieve the rewards. We recommended increasing this to 4 years last year, and continue to urge MTS to lengthen the period.

Note the Actual FY Rem for FY24 contains components for both FY23 and FY24 for the CEO.

Resolution 4 Approve grant of Performance rights to CEO D Jones (for)

The rights grant is consistent with the Rem Report.

Resolution 5 Special Resolution to Approve financial assistance under section 260B(2) of the Corporations act (for)

This is common practice during acquisitions.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY24	Target* \$	% of Total	Max. Opportunity \$	% of Total
Fixed Remuneration	1,750,000	57%	1,750,000	45%
STI - Cash	280,000	9%	507,500	13%
STI - Equity	192,500	6%	315,000	8%
LTI	875,000	28%	1,312,500	34%
Total	3,097,500	100%	3,885,500	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.

As foreshadowed last year, there was a review of remuneration the proportion of STI deferred for the CEO has increased from 33% to 40% of fixed rem, and will increase again to 50% for FY25.

There was a foreshadowed review, this year, of LTI. The maximum opportunity is rising, in FY25, from 80% to 90% of fixed rem.

There was also a change in how the performance of all executives of the pillars would be assessed. All executives now share Group financial and strategic objectives (weighted at 70%) to ensure increased collective focus and accountability on Group objectives. The remaining 30% is allotted to individual objectives.

Last year we approved the Rem Report, with the foreshadowing that there would be a further review this year. Given the further improvements, we are happy to vote in favour of this report.

However, we are unhappy that no action has yet been taken to increase the number of years the LTI is divided into, as ASA guidelines are for prefers executive's long-term performance is measured over at least four years. As the Board works on 5-year plans, it seems illogical that the rewards for it are made only over 3 years. Also, the "gateway" proposed for this award is unusual, and there was Board disagreement about its calculations.