Luxury focus………with hopes directed East

Company/ASX Code	Treasury Wine Estates / TWE
AGM time and date	10am AEDT, 17 October 2024
Location	The Laneway Room at the InterContinental Melbourne The Rialto, 495 Collins Street, Melbourne, Victoria 3000 and online
Registry	Computershare
Type of meeting	Hybrid
Monitor	Katja Bizilj
Pre-AGM Meeting	Yes, with Chair, John Mullen, and Senior Manager Investor Relations, Melinda George

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

1. How we intend to vote

No.	Resolution description	
2a	Election of Ms Leslie Frank as a Director	For
2b	Re-election of Mr Garry Hounsell as a Director	Undecided
2c	Re-election of Ms Colleen Jay as a Director	For
2d	Re-election of Ms Antonia Korsanos as a Director	For
2e	Re-election of John Mullen as a Director and Chair	Against
2f	Re-election of Ms Lauri Shanahan as a Director	For
3	Adoption of the Remuneration Report	For
4	Grant of Performance Rights to the Chief Executive Officer	For
5	Conditional Board Spill Meeting Resolution	Against

2. Summary of Issues and Voting Intentions for AGM/EGM

- Annual and Remuneration Reports remains largely the same as previous years with some information difficult to source. However, there is greater transparency regarding disclosure of calculation of STI targets and outcomes. Remuneration quantum and structure generally aligns with ASA guidelines.
- The FY24 Annual Report does not include financial data for 5 years (ASA's preference). This is in TWE's Fact Book. ASA will continue to request the data be included in the Annual Report. ASA is disappointed TWE does not include a genuine board skills matrix and

continues to rely on Directors self-assessing. However, the Board does undergo an external assessment every two years with the next due in FY25.

3. Matters Considered

Accounts and reports

During FY24, TWE continued solidifying re-alignment of their 5 year business strategy towards their luxury portfolio, divestiture of commercial stocks, diversification of geographical supply and further inroads into European, Asian and Chinese markets.

In FY24 this included the acquisition of the US DAOU luxury vineyard (announced 31 October and completed 13 December 2023).

FY24 delivered the lowest net profit after tax (NPAT) since 2019 mostly related to divestiture of commercial stocks. The figure reflects the post-tax material losses related primarily to non-cash impairment of goodwill and the write down of commercial brands within the Company's premium portfolio.

TWE's continuing focus on premiumisation and return to a dependence on China carries both opportunity and greater risk. The company's increased geographic diversification and balanced portfolio and noting the China market is not expected to return to the high percentage (35-40%) of TWE's market of a few years ago, ameliorates this risk.

Reported earnings per share (EPS) decreased 64% from 35.3cps in FY23 to 12.7cps in FY24. Dividends increased from 35c (FY23) to 36c (FY24). Total shareholder return (TSR) increased sevenfold. Share price increased 9.2 % from $11.11 (1 July 2023) to $12.11 (3 July 2024).

Financial performance

(As at FYE)	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	98.9	254.5	263.2	250.0	260.8
UPAT ($m)	417.0	330.3	298.2	316.1	287.0
Share price ($)	12.44	11.23	11.35	11.68	10.48
Dividend (cents)	36	35	31	28	28
Simple TSR (%)	14.0	2.0	-0.2	14.1	-27.9
EPS (cents) reported	12.7	35.3	36.5	34.7	36.2
CEO total remuneration (statutory) ($m)	3.95	4.67	3.70	3.18	7.84

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.

(Note: Mr Tim Ford replaced Mr Michael Clarke as CEO in July 2020).

Governance and culture

TWE's governance appears good with the company meeting most ASA guidelines. Some questions remain regarding compilation of the Board Skills Matrix.

The FY24 Annual and Remuneration Report remains largely the same as previous years with some information still difficult to source. However there is greater transparency regarding disclosure of calculation of short term incentive (STI) targets and outcomes. The Report still does not include a table of Actual Remuneration. Remuneration quantum and structure generally align with ASA guidelines.

Despite continuing ASA's request, the FY24 Annual Report does not include financial data for 5 years (ASA's preference) which is available in their Fact Book. ASA will continue to request this be included in the Annual Report.

TWE continues to not provide a genuine board skills matrix providing only a table with three self-assessment options despite several requests from ASA. These self-assessments are broad (expert, good understanding, working knowledge) which may blur meaning of accurate Board skill levels. ASA will continue asking the company for same as it is difficult for shareholders to assess if there are risks due to insufficient specialist skills on the board (we suspect not but need a genuine matrix to be sure). There is a biannual external Board assessment with the next due in FY25.

TWE's policy regarding payment to political areas / organisations remains unclear. Governance documents (ie. TWE's Anti-Corruption and Bribery Policy) contain guidelines and policy prohibiting staff from "…… making political, charitable or community donations which are contrary to TWE's Government Engagement Policy……." but the information does not state what this includes (for example attendance at political fund-raisers) and TWE's Government Engagement Policy is not accessible to non-TWE staff. No further information is included in the Annual Report or Fact Book. During the pre-AGM meeting, ASA requested better disclosure in this area with the Chair noting "..TWE staff do not attend political fundraisers……..".

TWE has a majority of independent directors. Following the upcoming AGM, there will be 4 women and 2 male directors – excluding the MD&CEO. The Directors are a good mix of tenure, gender diversity and geographical basing noting their business – 3 are based in the US, and 3 are based in Australia.

During the pre-AGM meeting with the ASA the Chair advised TWE's current search of candidates to increase the Board by two additional directors. One of the positions is expected to be Asian based and with a focus on Asian (and Chinese in particular) luxury portfolios. The criteria for the second position is a candidate with a strong ASX background and who may have potential to replace the Chair if required in the future.

TWE is active in ensuring continuing of corporate knowledge and continues focussing on its succession plan.

At the pre-AGM meeting, the Chair advised Mr Gary Hounsell will be retiring soon (date unconfirmed) with his replacement expected to be a Europe-based director with wine-making expertise. Mr Hounsell has a heavy workload being Chair of two listed companies, Chair of one unlisted and Director of one unlisted company. In 2023 TWE advised Mr Hounsell's work with regard to the unlisted companies was manageable.

Mr John Mullen has a heavy workload being Chair of three listed companies (TWE, Qantas Airways Ltd (since April 2024) and Brambles Ltd)) as well as Chair of non-listed Scyne Advisory (since 2023) and NMM. Mr Mullen is also a director of Brookfield Infrastructure Partners L.P. In 2023 ASA supported Mr Mullen's election as TWE Chair despite a heavy workload given his advice he was resigning as Chair of Telstra. He subsequently replaced this responsibility with Chair of Qantas.

Following assumption of the Qantas Chair position, and ASA questions regarding workload, Mr Mullen advised he "….may need to prioritise his workload going forward…..". During the 2024 pre-AGM meeting he advised he will "……not walk out on his responsibilities" however acknowledged the need to wind-down some commitments. (To this end) he stated he "………has no (immediate) intention to resign from his TWE Chair role …….". Mr Mullen noted he is working towards succession planning with regard to some of his responsibilities (but for commercial implications could not divulge which) for both the listed and non-listed companies. ASA will continue to engage with TWE for updates. To date, and for the short-term, Mr Mullen has not rationalised his workload. We consider his workload excessive.

The workload of remaining Directors (bar Mr Mullen and some concern with regard to Mr Hounsell's workload) remains acceptable.

TWE's governance documents are clear regarding terms of appointment and review of external auditor. TWE conducted an external auditor tender in 2023 with KPMG (their current external auditor since 2012) being awarded the bid.

Key events

The effective removal of Chinese tariffs on Australian Wine on 29 March 2024 was a major event for TWE in FY24. Along with increased sales into China, the lifting of tariffs also facilitated TWE's continued expansion of winemaking and global sales of Chinese wines.

TWE's strategic focus on premiumisation, geographic diversification and innovation in premium and luxury markets continued with the purchase of DAOU Luxury Vineyard announced on 31 October 2023 and completed on 13 December 2023. The purchase was funded by a $807 million entitlements offer and $446 million of debt (which drove the FY24 increase of $326.3 million in net debt to $1712.5 million).

The focus on the luxury market included further divestiture and/or rationalisation of Commercial brands, including Wolf Blass (acquired 1996), Yellowglen (acquired 1996), Lindeman's (acquired 2005), and Blossom Hill (acquired 2015). In F24, the contribution of these Commercial brands represented less than 5% of TWE Group's gross profit.

Going forward, TWE announced intention to concentrate even more strongly on the luxury market by creation of a Global Premium division by 1 July 2025 through the combination of Treasury Premium Brands and Treasury Americas Premium portfolio brands.

TWE's continuing focus on premiumisation and increased dependence on China carries both opportunity and greater risk.

Key board or senior management changes

Paul Rayner retired as Chairman at the conclusion of the FY23 AGM.

Mr John Mullen (Director since 1 May 2023) assumed the role of Chairman on conclusion of the FY23 AGM.

On 19 June 2024, with effect 1 July 2024, TWE announced the appointment of Ms Leslie Frank, former owner and founder of Frank Family Vineyards in California, acquired by TWE in 2021, as a non-independent Non-Executive Director. Ms Frank, a US resident and US based, is classified as a 'non-independent' Director having regard to the two grape supply agreements and ongoing consultancy arrangement she has with TWE. TWE advised appropriate steps to manage any actual or perceived conflicts that arise by virtue of these arrangements, have been implemented.

Non-executive director, Ed Chan, advised his intention to retire from the Board at the 2024 Annual General Meeting. Mr Chan has been a non-executive director since 2012.

Stuart Boxer, previously Chief Strategy and Corporate Development Officer, was appointed Chief Financial and Strategy Officer, effective 1 November 2023.

Angus Lilley, previously Global Chief Revenue Growth Officer, was appointed Managing Director of Treasury Premium Brands, effective 1 July 2024.

Sustainability/ESG

In previous years, TWE aligned climate disclosures with the 11 Taskforce for Climate-related Financial Disclosures (TCFD) recommendations. In line with the reporting expectations and changes over F24, including the introduction of future mandatory reporting requirements, TWE are working to align with the International Sustainability Standards Board (ISSB) and Amendments to Australian Accounting Standards (AASB) and in FY24 established an internal ESG Reporting Steering Committee. TWE has a roadmap to ensure compliance with mandatory climate reporting requirements and continues to deliver initiatives and improvements across their business. The company provides comprehensive sustainability reports which allow shareholders to make an informed decision about these matters. Details are available in the 2024 Sustainability Report.

4. Rationale for Voting Intentions

TWE has a policy of having all directors re-nominate for election at each AGM.

Resolution 2a Election of Ms Leslie Frank as a director (for)

Ms Leslie Frank, former owner and founder of Frank Family Vineyards in California, acquired by TWE in 2021, was appointed to the board on 1 July 2024. She is classified as a “non-independent’ director due to two continuing grape supply agreements and ongoing consultancy arrangement with TWE.

Ms Frank, a US resident and US based, has extensive expertise in luxury brands and the US wine industry.

Ms Frank has no shareholdings, having just been appointed, however we expect this to increase in the next few years.

We believe Ms Frank is well qualified, can contribute to industry expertise and brings relationship experience to the board and we support her election.

Resolution 2b Re-election of Mr Garry Hounsell as a director (undecided)

Mr Garry Hounsell, who has held senior positions at both Ernst & Young and Arthur Anderson, was appointed to be board in 2012 and has extensive experience in the service and retail industry. He has a shareholding equivalent to almost 480% of his expected annual remuneration. We consider him independent.

He is currently Chair of listed companies Helloworld Travel and Electro Optic Systems, and unlisted Commonwealth Superannuation Corporation. Mr Hounsell is also a Director of the unlisted Findex Group. We consider his workload heavy.

We believe Mr Hounsell is well qualified and can contribute to the board however due to his heavy workload we remain undecided with regard to his re-election. At the AGM we will seek further information about his workload and decide our voting on his response.

Resolution 2c Re-election of Ms Colleen Jay as a director (for)

Ms Colleen Jay, who has extensive experience in the fast-moving consumer goods industry at Procter & Gamble, is a US resident and US based. She was appointed to the board in 2018 and we consider her independent. She has a shareholding equivalent to approximately 160% of her expected annual remuneration.

She is currently a director of the US listed Cooper Companies and Beyond Meat. We do not consider her workload excessive.

We believe Ms Jay is well qualified and her diversity of global experience contributes to the board and we support her re-election.

Resolution 2d Re-election of Ms Antonia Korsanos as a director (for)

Ms Antonia Korsanos, a Chartered Accountant with experience in finance, strategy, global supply chain, and M&A, is based in Australian. She was appointed to the board in 2020 and we consider her independent. She has a shareholding of just over 100% of her expected annual remuneration which is at ASA's expectation of 100%.

Ms Korsanos is currently Vice Chair of US listed Light and Wonder Inc. We do not consider her workload excessive.

We believe Ms Korsanos is well qualified and can contribute to the board and we support her re-election.

Resolution 2e Election of Mr John Mullen as Chair (against)

Mr John Mullen was appointed to the board on 1 May 2023 and took over from Paul Rayner as Chairman following the FY23 AGM. He has shareholdings of approximately 160% of his expected annual remuneration. We consider him independent.

Mr Mullen has extensive experience in international transportation and logistics being a former CEO of Asciano, DHL Express, Toll Holdings and TNT Express Worldwide.

He is the current Chair of three listed companies (TWE, Qantas Airways Ltd (since April 2024), Brambles Ltd) as well as Chair of Scyne Advisory (since 2023) and Chair of non-listed NMM). Mr Mullen is also a director of Brookfield Infrastructure Partners L.P. We consider his workload excessive. Following assumption of the Qantas Chair position, and ASA questions regarding workload, Mr Mullen advised he "….may need to prioritise his workload going forward…..". ASA continues to actively engage with TWE for updates however, to date, TWE staff have advised no intention for Mr Mullen to rationalise his workload.

During the pre-AGM, Mr Mullens advised his commitments with regard to his two non-listed companies entailed a small workload.

We believe Mr Mullen is well qualified and can contribute to the board. However the ASA believes his work load is excessive and therefore does not support his re-election.

Resolution 2f Re-election of Ms Lori Shanahan as a director (for)

Ms Lori Shanahan, who has held senior executive positions with The Gap, a US retailer, is a US resident and US based, and was appointed to the board in 2018. She has a shareholding of approximately 110% of her expected annual remuneration. We consider her independent.

She is currently a director of US listed Deckers Outdoor Corporation and CAVA Group Inc. We do not consider her workload is excessive.

We believe Ms Shanahan's breadth of US based experience contributes to the board. She is well qualified, and we support her election.

Resolution 3 Adoption of Remuneration Report (for)

In FY23, TWE's Remuneration report received its first strike mostly due to shareholders' opposition to Board's exercising discretion in adjusting the return on capital employed (ROCE) outcome under the FY21 long term incentive plan (LTIP) and awarding long term incentives (LTI) when benchmarks had not been achieved. In FY24 the Board heeded shareholders disquiet and made adjustments to aspects of remuneration related to LTIs and transparency of short term incentives (STI) calculation which caused shareholder concern in FY23.

Despite this, the FY24 Annual Report and Remuneration Report remains largely the same notwithstanding the increased transparency regarding disclosure of calculation of STI targets and outcomes. The Report still does not include a table of Actual Remuneration. Remuneration quantum and structure generally align with ASA guidelines. Inclusion of a table of Actual Remuneration would greatly simplify the document. ASA will continue requesting for this to be addressed by TWE.

Despite continuing ASA's request, the FY24 Annual Report does not include financial data for 5 years (ASA's preference) which is available in their Fact Book. ASA will continue to request this be included in the Annual Report.

TWE's remuneration continues to comprise a mix of fixed salary, STIs and LTIs. For the CEO, the split is approximately 1/3 each at target levels.

STI is paid as a mix of cash (2/3 of total STI) and equity (1/3 of total STI). One half of the equity component is restricted for 12 months, the other half is restricted for 2 years.

Due to impairment within Treasury Premium Brands (TPB), the Board applied discretion to reduce the F24 short term incentive plan (STIP) multiplier for the CEO whose STIP was reduced by 10 percentage points to 110.8% of target for FY24.

The Board approved a 3% increase to Mr Ford's remuneration for FY24 and a further 3% for FY25. There will be no increases to NED fees in F25.

TWE reviewed the structure of STI making a number of changes to the F25 STIP for executives. The multiplying elements of the STIP outcome (comprising 50% of STIP) have been removed and replaced with a single, weighted Scorecard which has been simplified to consist of 3 key financial health measures – earnings before interest tax and SGARA (EBITS), net sales revenue (NSR) and cash conversion. The remaining 50% STIP remains based on achievement of individual Key Performance Objectives (KPOs).

LTIs remains measured over a 3 year period from 1 July 2021 to 30 June 2024 despite ASA preferring 4 - 6 year vesting periods. TWE's Chair advised TWE continuously reviews their remuneration package with regard to improvements however has to date not considered an increase to vesting periods. For the CEO, the LTI maximum opportunity remains 175% of Fixed Remuneration. From FY23 this is measured against three hurdles:

- 20% of the Performance Rights (PRs) will be based on Total Shareholder Return (TSR)
- 40% of the PRs will be based on Return on Capital Employed (ROCE) and
- 40% of the PRs will be based on EPS.

The quantum (ie $ amount) of the awards are in line with similar companies.

By way of background, as LTIs did not vest in FY21 for the third year in a row (due to ROCE not being achieved), in FY23 Board discretion was exercised with a final decision to award 92% of the ROCE component (75% component of LTI). ASA's FY23 Voting Intentions contains background and detail regarding TWE's calculation of this figure given the FY23 Annual Report did not include how this figure was calculated.

Mr Paul Rayner, the then Chair noted "….should the MOFCOM decision be reversed, TWE will adjust ROCE (and EPS) benchmarks up ……." indicating goodwill and intention for "fairness" in regards CEO not benefitting at a later time from the adjustment of ROCE benchmark in 2023.

In FY24, the Board affirmed this commitment - to remove any incremental benefit (add back the value of the FY23 impairment) due to the removal of tariffs on Australian wine into China to ROCE and EPS outcomes under the F22 and F23 LTIP grants to ensure no windfall gains to management going forward - given tariffs on Australian wine into China were lifted on 29 March 2024 and that the targets associated with these grants were set in expectation that the tariffs on Australian wine into China would remain in place.

The FY24 Annual report did not include such a ROCE adjustment given the lifting of Chinese tariffs had no impact on the FY24 ROCE (Chinese earnings were excluded for FY24). However TWE advised the FY25 Annual Report will include detail of calculations for derivation of return of ROCE increments with regard to their contribution to the FY25 ROCE.

The F22 LTIP vested at 20% of the total target grant value. ROCE performance was below threshold resulting in nil vesting for this component of the LTIP. The Board elected not to adjust or apply discretion to the ROCE component and the vesting of 20% was based solely on relative Total Shareholder Return (rTSR) outcomes.

Last year, as opposed to 46% of shareholders, ASA considered the Board's discretion for amount of award of LTIs for FY22 as reasonable and not excessive and that incentives were generally aligned with shareholders expectations and supported the remuneration report.

For FY24, ASA believes the level of remuneration is not excessive and the incentives are aligned with industry benchmarks and shareholders expectations. However, despite some improvements from FY23, the report remains not as clear or easy to understand as it could be for certain sections with some information still difficult to find and we will continue requesting TWE to address these issues.

TWE's apparent unwillingness to incorporate ASA requested changes in their Annual Report - specifically those related to ease of finding information - remains concerning. However the ASA will support the report.

Resolution 4 Grant of performance rights to the Group CEO Tim Ford (for)

Mr Ford will be offered a maximum number of 251,053 performance rights as his FY25 LTI. The number of performance rights has been calculated by dividing Mr Ford's LTI opportunity of $3,011.838 (being 175% of his fixed remuneration as at the time of grant) by a notional market price of $11.9968 per share. The structure of this is described above.

The market price of shares was calculated by reference to the volume weighted average price over the 90-day period up to and including 30 June 2024.

We believe the level of award is not excessive and is aligned with shareholders expectations so will support this grant.

Resolution 5 Conditional Board Spill Meeting Resolution (Against)

In FY23, TWE's Remuneration report received its "first strike".

Resolution 5 is a conditional resolution which will only be required if there is a "second strike" (ie. if more than 25 per cent of votes cast on Item 3 are against the resolution to adopt TWE's Remuneration Report.)

ASA intends voting against the conditional Board spill meeting resolution noting TWE addressed the two major shareholder concerns resulting in last year's "first strike".

Appendix 1
Remuneration framework detail

CEO Rem framework for FY24	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.671	38	1.671	24
STI - Cash	1.114	25	2.005	29
STI - Equity	0.557	12	1.003	14
LTI	1.111	25	2.294	33
Total	4.453	100%	6.973	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. Some remuneration framework set a maximum opportunity amount, but not all.