Australian Shareholders' Association Limited
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Soul Patts evolves to capture opportunities and deliver for shareholders

Company/ASX Code	Washington H Soul Pattinson/SOL
AGM time and date	12:00 noon AEDT Friday, 22 November 2024
Location	The Ivy Ballroom, The Ivy, Level 1, 320 George Street, Sydney
Registry	Computershare
Type of meeting	In person with webcast*
Monitor	Peter Gregory and Craig Lee
Pre-AGM Meeting	With Rem Chair, Josephine Sukkar; COO, Jaki Virtue; Company Secretary, Pamela Longstaff; and Head of Corporate Affairs, Tanny Mangos.

Monitor Shareholding: The individual(s) involved in the preparation of this voting intention have a shareholding in this company.

*Written questions can be submitted during the AGM webcast. Shareholders will not be able to vote online during the AGM. If you cannot attend the AGM you will need to vote by proxy (including ASA) no later than 12:00 pm (AEDT) on 20 November 2024.

How we intend to vote

No.	Resolution description	
2	Election of Bruce Mac Diarmid as a Director	For
3	Adoption of the Remuneration Report	For
4	Grant of performance rights to the Managing Director & CEO	For

1. Summary of Issues and Voting Intentions for AGM

- With the growth and complexity of Soul Patts, combined with expansion into new areas of investment, the nature of and approach to management and risks changes. Shareholders would benefit from a better understanding of how Soul Patts is evolving here.
- There is shareholder uncertainty about the path forward for Soul Patts' substantial investment in Perpetual Limited, as part of its overall portfolio.
- How regular profit after tax is used in managing the business and in determining business success.
- The role of the recent issue of convertible bond has as a source of funds and the impact this has on shareholder dilution.

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	**2024**	**2023**	**2022 #**	**2021**	**2020**
NPAT ($m)	498.8	690.7	-12.9	273.2	953
UPAT Regular profit after tax ($m)	487.6	759.7	834.6	328.1	169.8
Pre Tax NAV ($b)	11.8	10.8	9.6	5.8	5.2
Net Cash Flow from Investments (NCIF) ($m)	468	424.3	347.9	180.3	252
Share price ($)	32.82	31.78	23.54	33.73	19.53
Dividend (cents)	95	87	87	62	60
Simple TSR (%)	6.30%	39%	-28%	76%	-8%
EPS (cents)	153	215	-4	114	398
CEO total remuneration, actual ($m)*	5.82	6	3.7	2.9	

#Includes the Milton acquisition

*As described in the Remuneration section Todd Barlow received an additional profit share payment relating to the realisation of a property that was acquired 9 years ago. For comparison purposes this is not included in the table.

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.

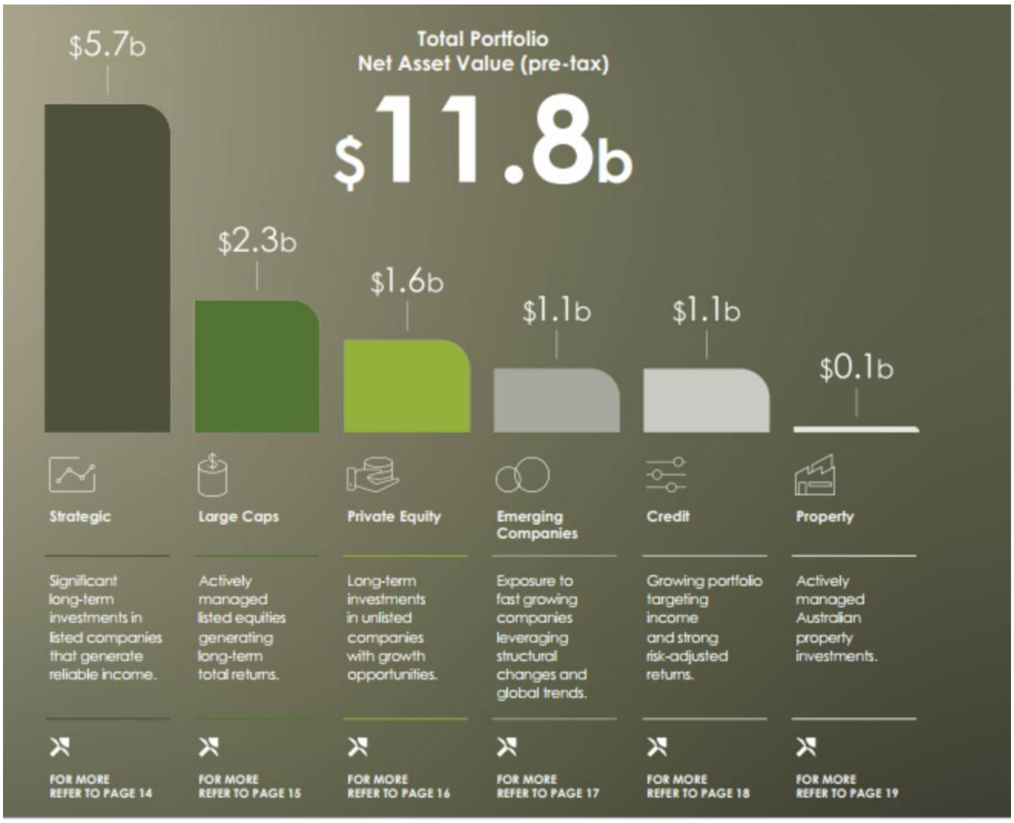
As an investment house Soul Patts does not consider profit to be an accurate reflection of investment performance. Soul Patts measures its performance by these two metrics:

- Pre Tax Net Asset Value (NAV). This is measured by total value of Soul Patts investments at the end of the financial year (31 July 2024) and is largely based on market value. Given the diversity of assets held by Soul Patts, the directors believe this gives management and shareholders the best understanding of the company's performance. Details of the valuation of all assets is shown on P22 of the Annual Report. NAV increased on FY23 by 8.7% to $11.8 billion.
- And Net Cash Flow from Investments (NCFI) which is the dividends, interest and realised gains on trading assets received by the company. This is actual cash income Soul Patts has and is the basis for determining dividends. NCFI increased on FY23 by 10.3% to $468 million.

The year was one of considerable activity with transactions totalling $4.7 billion as management worked to align the portfolios with the long term strategy and pursued opportunities in private equity, credit and emerging companies.

Soul Patts current portfolio houses more than 200 individual investments in private, public and real assets.

This chart on page 12 of the Annual Report gives a good visual overview of the Soul Patts investment portfolio and includes the page reference in the Annual Report for more detailed information on each individual portfolio.



The Strategic portfolio, which represents 49% of total portfolio increased in value by 10% ($518 million) during the year. While it is not stated it appears that half ($250 million) of this increase was due to the addition of Soul Patts interest of 11% in Perpetual Limited. Compared to last year New Hope increased its production, but experienced lower pricing which caused a 51% reduction in dividends that impacted on the NCFI for this portfolio. The Strategic Portfolio with a total return of 11% underperformed the All ordinaries Accumulation Index by 2.4%.

Both New Hope and Brickworks announced Statutory Profit reductions that contributed to a reduction in Statutory NPAT for the Strategic Portfolio of $243m compared to $508m if FY23. This is not reflected in NAV unless it causes a change in Market Value (i.e. share price change) in the FY25 year, but is reflected in Soul Patts reported FY24 NPAT.

The Large Caps Portfolio, (20% of the total Soul Patts portfolio) delivered a total return of 14.1%, performing well against the ASX200 Accumulation index outcome of 13.5%. Although NAV reduced by 1% ($21 million) due to reallocation into better opportunities in the broader Soul Patts portfolio.

Private Equity Portfolio (up from 11% to 13% of the Group portfolio) which doubled its NCFI to $29.7m this year, had a focus on integrating a number of strategic acquisitions made during FY23.

The Emerging Companies Portfolio (up from 6% to 9% of the Group portfolio) comprises high-growth equities and structured equity investments and delivered a return of 16% in FY24. The portfolio is concentrated in the energy sector and Soul Patts benefits from direct access to deal flow to target unique opportunities.

The Credit Portfolio (up from 6% to 9% of the Group portfolio) is made up of corporate loans, bonds and structured instruments that match the demanding selection criteria applied by Soul Patts. During FY24 $644 million of additional credit was deployed in this portfolio, making it the largest allocation of new capital to a strategy in the overall Soul Patts portfolio. A return of 14.9% was generated in FY24

The Property Portfolio (1% of the Group portfolio) consists of 9 assets, mostly in the Sydney region and positioned towards development opportunities.

Net Working Capital is now in a debt position of ($160 million), a decrease of $846 million from 31 July 2023 following an active period of new investment in the priority areas of credit and private equity.

It is interesting to note that across a number of portfolios Soul Patts are now building a worthwhile investment in water rights. It now has more than required for its own purposes and these may be acquirable by the Government in the future.

In August 2024, Soul Patts raised low-cost long-term capital through the issue of a new $450 million convertible bond. This happened concurrently with the repurchase of $223.2 million of existing $225 million convertible notes, funded by a $225 million equity placement. At the AGM we will ask for clarification about how these transactions operate and the impact that the equity placement has on existing shareholder dilution.

Governance and culture

Soul Patts states that the company culture is its competitive advantage. It underpins and drives the investment approach, and all members of Soul Patts' small, close-knit investment team, led by the Managing Director, are actively involved in decisions. This encourages robust debate and peer review, ensuring capital is deployed where it is believed will generate enduring value. During the pre-AGM meeting we discussed, as the company grows and investment decisions may become more complex, how robust and risk proofed processes are the foundation of investment decisions. Developing these processes, for the future Soul Patts, in one of the key responsibilities of the recently appointed COO and it was conceded that there is still some work to do to provide complete assurance to the investment team and the Board.

As Soul Patts engages in new areas of investment it is alert to additional risks this brings. We discussed how this is being managed with the credit market and were advised that in parallel with the investment committee that oversees all investments, Soul Patts have set up a specific Structured Credit Advisory Committee that incorporates external skilled credit professionals to contribute to ensure the same level of rigor on credit investment decisions. This reflects on culture of Soul Patts that very carefully manages risk and is self-aware of its limitations and actively addresses them.

During the pre-AGM meeting it was stressed that since the Milton acquisition governance has been a strong focus for the Board.

From a shareholder's point of view, it is encouraging to learn specifics of the Soul Patts approach to risk management and decision making. And to see through the website the full leadership team, and through events such as the Investors presentations held in late July, early August to see and be able to talk to the people who are managing the Soul Patts portfolios. It is important for shareholders to see the depth of talent behind the Chair and Managing Director.

The strength of the Soul Patts culture is demonstrated from its Culture and Engagement Survey showing 95% of people are proud to work for Soul Patts.

Soul Patts have just commenced a paid internship program to invest in the future leaders of the financial service sector, and to identify future quality employees.

Key board or senior management changes

Bruce MacDiarmid joined the Soul Patts Board on 1 August 2024.

Thomas Millner retired from the Board on 31 December 2023.

And Michael Hawker, lead independent director, will retire from the Board following the FY24 AGM, after serving for 12 years.

Sustainability/ESG

Soul Patts has identified Sustainability being one of its five key risk areas and the company now a separate Sustainability Report that includes the action being taken on climate change:

- With direct operations. This refers to the 56 people who work in Soul Patts Head Office which is located in a building with a 6 star rating for electricity with GreenPower (100% renewable) supported by a Soul Patts investment in 3 tonnes of ACCUs to fully offset Head Office GHG emissions.
- Controlled subsidiaries, such as AmpControl, Aquatic Achievers, and Soul Patt Agriculture. Each of these very different businesses is working, as described in the Sustainability Report, to reduce emissions themselves and to enable their customers to have a positive environmental impact and be less emission intensive.
- With other investee companies Soul Patts works to influence them to respond to climate change. Their ability effect change depends on the size and nature of the ownership of the company, and whether Soul Patts has board representation. They set and communicate Soul Patts expectations and monitor the performance of each investment. Soul Patts noted that they look to invest in companies that demonstrate strong governance, care for their workforce, and have a sustainable focus. This applies to Soul Patts new and existing investments. As examples reference was made at the pre-AGM meeting to New Hope Coal and Brickworks where Soul Patts are impressed with both companies' ESG commitments and actions to date.

Soul Patts is registered under the requirements of the *National Greenhouse and Energy Reporting Act 2007*, under which it is required to report energy consumption and greenhouse gas emissions (refer to page 24 of the 2024 Sustainability Report).

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

With the FY24 AGM shareholders who are not able to attend in person can view a live webcast. Written questions can be submitted during the webcast, but voting live will not be possible. Soul Patts recognise that this is not ideal as those attending by webcast, will not have the benefit of hearing the presentations, or questions answered at the meeting to inform their voting decision. Soul Patts are open to including this in the future, but state that the technology for a hybrid meeting needs to seamlessly integrate with the progress of the meeting.

4. Rationale for Voting Intentions

Resolution 1 Election of Bruce MacDiarmid as a Director (for)

Mr MacDiarmid has had an extensive career primarily in investment banking, both in Australia and Asia. It appears that he adds to the Board skills and will bring a valuable perspective to the Soul Patts Board.

Resolution 2 Adoption of the Remuneration Report (for)

The Soul Patts remuneration structure and process is described in Appendix 1. For FY24 this remains the same as last year, and is considered to be well explained and comprehensive. It has well balanced STI's and LTI's linked to financial and non-financial performance and to creating long-term shareholder value.

<u>FY23 Against vote</u>

The Remuneration Report vote last year was 24% against. Feedback provided to the Remuneration Committee was the against vote related to a one off vesting of shares due Todd Barlow's employment 9 years ago as the Managing Director of a Soul Patts subsidiary, Pitt Capital. A property was purchased then by Pitt Capital and the recent realisation of this property has now triggered this vesting (to the value of $1.47M). This arose from an agreement of 9 years ago and does not relate to Soul Patts remuneration for FY23 or 24. It does, however, appear in the FY24 Statutory remuneration appearing to inflate Mr Barlow's remuneration for his current role as Managing Director of Soul Patts.

<u>Amendments for FY25</u>

In consideration of the future, the Remuneration Committee, has conducted an external benchmarking process to ensure that the Soul Patts remuneration practices are current and competitive. The outcome of this process is described from P48 in the Annual Report, but here are some key points, with [ASA comments]:

- A fixed remuneration increase for the Managing Director from $1.672M to $1.99M which is a 19% increase. The Annual Report describes the extensive benchmarking which was used to arrive at this figure. It is aligned to the median for similar sized and similarly complex organisations, and is the salary that would be required to attract a replacement if necessary. [This is the first such exercise since the Milton acquisition, and Soul Patts is now a company with a market cap that has increased from $8 billion to $12 billion; has now moved from the ASX100 index to ASX50, so is expected to be more exposed to index funds; has more than doubled its headcount so is a more complex organisation to lead; is becoming more reliant on processes and control mechanisms, than on individual performers – that is the sophistication of the company has significantly increased; and Soul Patts is now expanding into new areas of investment, such as corporate debt. It appears that this increase is justified to retain or obtain a talented Managing Director to lead an organisation of this size and complexity.]

- The STI continues with the same structure, but is changing from 100% cash to 75% cash and 25% equity delivered after one year. [In the past we have accepted the cash only payment given the current Managing Director's holding of 381k shares (approx. value $13m) provided sufficient alignment with shareholders' interests. However, the change to 25% with a likely future change to 50% is appropriate as it structures the plan around the position rather than the person.]
- For the Managing Director there was a holding lock of 15 years on any incentive based shares. This will be reduced to 9 years. [The LTI has been based on 3 years performance, rather than the 4 year minimum ASA wants. Again, given the situation with the current Managing Director, this holding lock gave confidence of his alignment with shareholder interests. 9 years still does this, but, in the interests of good process we will seek in the future to extend the performance period to 4 years and encourage a further reduction in the holding lock, as this is extreme compared to other like companies. Again, this is ensuring the remuneration is structures around the position rather than the person.]
- The structure of the LTI based on TSR and Net Asset Growth per Share remains the same. [This is consistent with the interest of individual shareholder]

All Soul Patts employees participate in the LTI with the quantum varying by their level within the company. Apart from newer employees, all who work at Soul Patts are shareholders.

Resolution 3 Grant of performance rights to the Managing Director & CEO (for)

The performance rights are in line with the remuneration plan and their award, if vested, are consistent with shareholder interests.

Appendix 1
Remuneration framework detail

FY24 WHSP Remuneration Plan							FY24 Actual	
CEO rem. Framework for FY24	Threshold $m	% of Total	Target $m	% of Total	Max. Opportunity $m	% of Total	$m	% of Total
Fixed Remuneration	**1.67**	**39%**	**1.67**	**33%**	**1.67**	**22%**	**1.67**	**29%**
STI - Cash	1.34		1.67		2.51		2.33	
STI - Equity								
Total STI	**1.34**	**31%**	**1.67**	**33%**	**2.51**	**33%**	**2.33**	**40%**
LTI	**1.25**	**29%**	**1.67**	**33%**	**3.34**	**44%**	**1.82**	**31%**
Total	**4.26**	**100%**	**5.01**	**100%**	**7.52**	**100%**	**5.82**	**100%**

STI achievement

% of target	% of maximum
140%	93%

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.

The Remuneration Report is comprehensive and has well balanced STI's and LTI's linked to financial and non-financial performance and to creating long-term shareholder value.

A large portion of the CEO remuneration (77% at maximum) is at risk and subject to meeting performance hurdles.

For the CEO the Short-term incentive (STI) target is 100% of Fixed Remuneration (FR) with a maximum of 150%. It is awarded on a combination of 50% Net Cash Flow from Investments per share and 50% Adjusted Net Asset Value (post tax) per share. For FY24 the CEO achieved an STI of 140% of FR compared to 125% for FY23.

This establishes the STI pool which can then be adjusted to reflect an assessment of individual performance based on KPIs that are set at the commencement of the year. STI is paid in cash following the release of the year-end results.

The CEO's Fixed Remuneration (FR) in FY24 was $1,672,000 (Cash plus Superannuation) increasing from $1,603,907 in FY23. This is a 4.2% increase.

Long-term incentive (LTI) equal to target is 100% of FR and is granted as cash or shares with performance measured over three years. The LTI grant is divided into 2 tranches with 50% of the PSRs subject to a Total Shareholder Return (TSR) hurdle ranked against the All Ordinaries Accumulation Index and 50% against the CAGR in Net Assets Per Share. These can be paid as shares or cash but are subject to vesting.

During FY23 year the CEO was granted 129,765 additional LTI Rights (valued at $1.47 million) in lieu of a cash performance fee from his role as MD of Pitt Capital. This occurred because a real estate purchase that occurred 9 years ago was realised, triggering the vesting of these rights. There will be no further entitlements for Todd Barlow due to his pervious employment with Soul Patts subsidiary Pitt Capital. A 12 year sale restriction applies post this vesting.

The CEO's total actual remuneration in FY24 including STI earned in and the value of shares which vested was $5.82M (excluding the Pitt Capital transaction) compared to $6.0 in FY23.