

Treasury Wine Estates Limited, , AGM 2021

2021-10-15

Presentation

Paul Ashley Rayner

Ladies and gentlemen, welcome to 2021 Annual General Meeting of your Company. My name is Paul Rayner, and I'm delighted to address this meeting as your Chairman. The health and well-being of our shareholders and employees is of paramount importance. And given the uncertain and evolving coronavirus situation and the public health concerns, this year's meeting is being held online by the Lumi platform. And this allows shareholders, proxies and guests to attend the meeting virtually.

All attendees can watch a live webcast of the meeting. In addition, shareholders and proxies have the ability to ask questions and submit votes to ensure that our technology is able to sustain the clearest possible audio for all participants. Our directors who are dialing in from locations around the world are not appearing by video today. However, Tim and I are very pleased to be presenting to you live from Melbourne, and we are delighted to see so many of our shareholders, taking the opportunity to connect and attend the meeting.

As a truly global business with a significant offshore shareholder base spanning overseas markets, including the United States, Asia and the U.K., we are pleased that this virtual AGM will provide many shareholders and investors an opportunity to attend. And we welcome you all. Before commencing the meeting, I would like to acknowledge the traditional owners and custodians of the land on which I'm standing today, the Wurundjeri people of the Kulin Nation, and I pay my respects to their elders, both past, present and emerging.

The company secretary informs me that we have a quorum present. So I, therefore, declare the Annual General Meeting of Treasury Wine Estates Limited to be open.

I would now like to introduce your directors and management who join me virtually today from across the globe. Here with me in Melbourne, I have Tim Ford, who's our Chief Executive Officer, and you'll hear from him shortly. Matt Young, who's our Chief Financial Officer; and Kirsten Gray, who is our company secretary. Also in attendance in Melbourne is Gordon Sangster, who's our lead audit partner from KPMG. Now Gordon is available to answer any questions regarding the conduct of the audit and the preparation of the content of the auditor's report.

Dialing in also from Australia, we have our nonexecutive directors; Garry Hounsell, who's the Chairman of our Audit and Risk Committee. Warwick Every-Burns, who is the Chairman of our Human Resources Committee; and Toni Korsanos.

Dialing in from Hong Kong, we have a non-Executive director, Ed Chan; and dialing in from the USA, we have our non-Executive directors, Colleen Jay and Lauri Shanahan. Michael Hutchinson from Computershare, the company's share registry, is also joining us today, and Michael will act as returning Officer for the poll that will take place.

Questions can be submitted at any time. To ask a question, select the messaging tab at the top of the Lumi platform. And at the top of that tab, there is a section for you to type your question. Once you finish typing, please hit the arrow symbol to send. Now for those shareholders who wish to ask a verbal question an audio questions facility is available during this meeting. And to use this service, please pause the broadcast on the Lumi platform and then click on the link under asking audio questions. A new page will open, where you'll be prompted to enter your name and the topic of your question before being connected. You will listen to the meeting on this page while waiting to ask your question.

Now if you have any issues using this system, please return to the Lumi platform. And please note that while you can submit questions either in writing or verbally from now on, I won't address them until the relevant time in the meeting. Now shareholders were also invited to submit questions in advance, and I will address those questions as well as those that you asked during the meeting, during the question period. In order to be as transparent as possible in this virtual environment, we'll handle questions as follows. Questions received will be read out in the order of receipt with those asked before the meeting being addressed first and the shareholders' name will also be included. Questions will be moderated only in two situations. Firstly, if the content is profane. And secondly, if the substance of the question is entirely repetitive of a question already asked. This is to address the fact that you cannot see the repetition when you are lodging your question.

As we do in our physical AGMs, we'll answer as many questions as we can. And I'll only close the question period when all questions have been exhausted or I believe the time allowed has provided all shareholders with a reasonable opportunity to ask questions.

Today, voting will be conducted by the way of a poll on all items of business. In order to provide you with enough time to vote, I'll shortly open voting for all resolutions. At that time, if you are eligible to vote at this meeting, a new voting tab will appear. Selecting this tab will bring up a list of resolutions and present you with voting options. And to cast your vote, simply select one of those options. There is no need to hit a submit or enter button as your vote will be automatically recorded. You do, however, have the ability to change your vote at any time until the poll is closed. Now I now declare voting to be open on all items of business. And the voting tab will soon appear. So please remember to submit your votes at any time. And the poll will remain open for 5 minutes after the close of the meeting to allow you time to finalize your votes.

Before we commence the formal part of the meeting, I would like to reflect briefly on the company's performance over the last year. And I'll then invite our CEO, Tim, to address the meeting.

Now while fiscal 2021 was a year of significant change, it was also a year of achievement for Treasury Wine Estates. And that is shown by the progress we made against our strategic agenda. Now this progress is testament to the strength of our global business model and the commitment and resilience of our team, who are values-driven, disciplined and focused in the execution of our strategy.

Now well into the second year of the pandemic. It is important to acknowledge that COVID-19 has continued to impact, disrupt our consumers, our customers and our business with large parts of the world still in some form of lockdown throughout the year. In many markets, that disruption will continue into next year despite vaccination programs gaining momentum around the world. Across our global operations, we have supported and encouraged the vaccination rollout, recognizing that it is the pathway out of the pandemic and the return to a new normal for our business, customers and communities.

More importantly, the pandemic has and will continue to leave an indelible mark on all of us, not least in the way we live and the way we work. And our team is to be commended on how they continue to demonstrate care for each other as well as our consumers, customers and our partners and the way they are embracing the key consumer challenges and opportunities emerging from the pandemic.

Alongside the pandemic, we've navigated the effective closure of the Chinese wine market to Australian wine, an event that was significant for Treasury Wine Estates and also the Australian wine industry. And while this has presented challenges, we remain committed to the China market for the long term, and we continue to invest in our team, our brands and our

relationships with customers and consumers in that market. We recognize that regardless of which market you operate in, businesses and brands are judged on how they act and behave as well as the quality of their products.

We are mindful of that, recognizing that trust is critical to building relationships and brands and is, therefore, essential to our long-term success. I think this will be particularly important in the post-COVID world as governments consider how they stimulate domestic economic recovery and the role of international trade relationships in driving economic growth.

Now against this backdrop of disruption, Treasury Wine Estates has not only adapted but has embraced these challenges as opportunities to reshape our business to drive growth and permanently change the way that we engage with our customers and consumers.

Our Treasury Wine Estates 2025 strategic blueprint, which was launched at the start of the fiscal year grounded our response strategies, keeping the consumer at the center of our decision-making. And likewise, our Treasury Wine Estates DNA, our cultural code have been courageous, delivering together and bringing our whole self to work, having formed our decisions and guided our team as well as the way in which we support our customers and partners throughout the year.

While Tim will provide a more detailed update on progress made against our strategic agenda shortly. I want to take a moment to reflect on some of the achievements across the business that were fundamental to delivering a quality financial result in fiscal 2021.

In Asia, where the Chinese market was effectively closed to Australian wine halfway through the fiscal year, we invested to drive growth in other key markets, demonstrating the strength of our diversified business model. And it was pleasing to see good growth developing across the region as the financial year for 2021 came to a close.

In the Americas, we continued to build momentum, having made fundamental changes to our business model and our portfolio, which have better positioned us for sustainable long-term success in what is the world's largest premium wine market. I also want to recognize the team's efforts to develop and navigate the seamless transition to our new operating model where we've moved from a region-led business model to a brand portfolio led model, which will drive increased focus and accountability and form a sound foundation for the next phase of our growth.

Throughout the year, our diverse portfolio of brands continue to innovate and gain momentum. With the launch of the Penfolds California Collection and the 19 Crimes Cali Red, and our new Rosé varieties. Wolf Blass was recognized as the Red Winemaker of the Year at the 2021 International Wine Competition and Pepperjack again held its position as Australia's #1 Shiraz. And in Europe, Lindeman's embraced sustainability achieving carbon-neutral status.

In fiscal '21, we also took a much bolder step towards sustainability leadership with the release of our enhanced sustainability strategy and an expanded suite of targets that respond to the topics that really matter to our business and our stakeholders. The strategy reflects our ambition to cultivate a brighter future for everyone who touches our business and our products.

Growing awareness of the threats to our environment and the importance of sustainability are increasingly shaping the expectations of our consumers, customers and our partners right around the world. Our ability to respond to a range of global and regional, social, economic and consumer trends all require new ways of thinking, innovation and partnerships to adapt. Access to markets is critical to our long-term sustainable success and our ability to innovate, build meaningful partnerships and achieve the responsible production of our products, which will ensure we can grow and attract new consumers and gain access to new and growing

markets. And with that in mind, we've continued to engage with governments and regulatory bodies across our regions on relevant issues to help ensure the long-term sustainability of our industry.

Now we are a global business and believe we have a role to play in working with governments, customers, partners and a range of stakeholders to collectively address the challenges facing our industry and our communities. Sustainability is embedded into our TWE 2025 strategic blueprint and is increasingly influencing our decision-making across our value chain from the way we source a range of fruit varieties and produce our wine through to how it's packaged, transported and sold. And as you will have seen from our 2021 sustainability report, our plans and initiatives are focused on delivering against 3 newly established goals, which are building a resilient business, fostering healthy and inclusive communities and producing sustainable wine.

This year, we also announced several new targets and commitments, including enhancing our approach to water stewardship, working towards net 0 emissions, including a 100% renewable energy target by 2024, and as well as renewed focus of consumer health and responsible drinking, sustainable growing and production and responsible supply chain management. And these are in addition to our existing priorities regarding health, safety and well-being, inclusion and diversity and our sustainable packaging targets.

I want to advise shareholders that our former Director, Louisa Cheang, sadly passed away earlier this month. Louisa had been on a leave of absence from the company's Board since May of this year for medical reasons and she retired from the Board on the first of September. Her passing is really a great loss to the business community in Asia and certainly to us at Treasury Wine Estates. She was a great talent to be taken away too young and should be missed by many, certainly including myself and all my colleagues on the Board and the management. On behalf of the Board and management, we send our deepest condolences to Louisa's family and those closest to her.

Just as our business continues to evolve and adapt to drive growth and respond to future challenges and opportunities, so does the TWE Board. And as a Board, we're always reflecting on the best way to discharge our corporate governance responsibilities, ensuring effective oversight of the company in the best interest of a range of stakeholders including you, our shareholders. And as part of our continuing process of Board and Committee succession planning, pleased to advise shareholders today of the planned changes to our Board Committee membership and structure, and they include the establishment of new Wine Operations and Sustainability Committee, which will be chaired by our Director, Garry Hounsell. And the purpose of the committee will be to assist the Board by providing expert consideration of an advice on, the company's winemaking operations in the various regions in which the company operates, expansion opportunities in winemaking areas, supply chain sustainability and oversight of the company's sustainability reporting.

And Colleen Jay will also join the committee as well external advisers with deep experience in winemaking and wine operation. The intention in forming the committee is to allow more time for in-depth consideration of winemaking, sustainability and supply chain strategic long-term planning and operational issues, both in relation to our own operations and relationships with the sector in different winemaking regions.

Lauri Shanahan will move into the Chair of our Human Resources Committee, replacing Warwick Every-Burns as head of that committee on the first of July 2022. Warwick has advised me of his intention to retire from the Board as part of our normal process of succession planning at the AGM in 2022. He will remain a member of the Board and the Human Resources Committee until that time, and I'd like to take this opportunity to acknowledge the excellent contribution to the Board and the leadership of the Human Resources Committee and look forward to Warwick's continued contribution through until his retirement.

Toni Korsanos will become the Chair of our Audit and Risk Committee on the November 1, 2021, and she replaced Garry. Garry will remain a member of the Audit and Risk Committee, and I'd also like to take this opportunity to acknowledge Garry's excellent leadership and look forward to his continued contribution to the committee and our Board.

Before I conclude, I can't miss the opportunity to acknowledge this year, we celebrated 10 years of Treasury Wine Estates. There have been numerous milestones that have marked this journey and we'll take this opportunity to recognize the contribution that many people have played in our growth and evolution during this past decade, from our team, past and present through the partners, suppliers, communities, consumers as well as you, our shareholders.

Looking ahead, Treasury Wine Estates is confident that our strategic agenda, including our elevated focus on digital consumer engagement and experience, data and technology, sustainability and culture and organizational capability, coupled with our new operating model, positions us well to respond to the changing landscape to drive growth and progress our ambition of becoming the world's most admired premium wine company.

And before I conclude with my final thanks. I would like to remind shareholders that today, you will be asked to consider and vote in favor of a number of items of business. On this and all matters, I ask for shareholder support.

In closing, on behalf of the Board, I would like to thank our people at Treasury Wine Estates led by Tim Ford, the results delivered and what's continued to be a challenging operating environment. And we are extremely proud to have such an outstanding, high-caliber team that's committed to delivering against our strategy.

And finally, I would like to extend my thanks to you, our shareholders, for your continued belief in and investment in and support of Treasury Wine Estates. Now I'll now hand over to

Tim Ford to provide a detailed breakdown of business performance in the past financial year as well as an update on the first quarter of this financial year, and our priorities and focus for the remainder of fiscal 2022.

Timothy Ford

Thank you, Paul. And I'd also like to add my welcome to our shareholders joining us from around the world. It's certainly my pleasure to be here today to give you an update on our fiscal '21 performance and also our priorities for fiscal '22.

I guess to summarize fiscal '21, we successfully delivered a strong trading performance across the globe against a backdrop of significant external disruption from the ongoing global pandemic, wildfires in California and the introduction of significant import duties on Australian wine sold into China. Our reported net sales revenue declined 3%. However, on an organic basis, which excludes the impact of currency and the U.S. commercial brands divested in March, revenue increased by over 4%.

Most pleasingly, top line growth was achieved in all regions outside of China and was led by our \$10 to \$30 premium portfolio with strong performance delivered by a number of priority brands, including 19 Crimes, Pepperjack, Squealing Pig, Beringer Brothers and Matua. The most pleasing aspect of our sales mix in fiscal '21 was the 6% increase in the luxury and premium portfolio contribution of our global revenue, which at the end of the year sat at 77%. EBITs of \$510 million was in line with fiscal '20, and our EBIT's margin improved 0.6 percentage points to 19.9%, reflecting not only our top line performance, but also improved cost of doing business, particularly in the Americas and Asian businesses. We are especially pleased with this result, considering that the EBIT's contribution from Mainland China declined \$77 million in the year.

Our cash flow performance was once again very, very strong with cash conversion of 101%. Our net debt reduced by \$376 million, assisted in part by favorable currency, but driving the significant improvement in our leverage ratio to 1.6x down from 2.1x at the end of fiscal '20.

And finally, the Board declared a fully franked final dividend of \$0.13 per share, resulting in a full year dividend of \$0.28 per share and a payout of 65%, which is in line with our long-term dividend policy.

And as with every business around the globe, fiscal '21 performance has been delivered against a backdrop of ongoing impacts from the pandemic. Across all of our markets, key sales channels were in various states of impact and recovery throughout fiscal '21 with retail and e-commerce channels performing strongly throughout the year, whilst key sales channels for our higher-margin luxury wine, such as the on-premise channel, cellar doors and the travel retail segment remained disrupted or close. Shortly, I will provide an update on how these trends from the pandemic are evolving across these key markets and channels through the first quarter of fiscal '22.

In addition to delivering a high-quality financial results, we also made significant progress in fiscal '21 towards a number of our key strategic priorities. Firstly, our shift to a consumer and experience-led marketing model has become a key driver of positive momentum for TWE through bold innovation, collaborations and partnerships with celebrities and key opinion leaders and being laser-focused on digital engagement, we are driving increasing consumer demand across our priority brand portfolio.

The implementation of our global response to the trade measures introduced in China, including plans to drive incremental growth for the Penfolds Bin and Icon portfolios, in particular, took a significant step forward in the second half of fiscal '21. So in addition to reallocating product to meet the previously unmet demand we have accelerated investment

to support future growth for Penfolds in key global markets. The early momentum behind these plans has been encouraging, particularly in Australia and in the Asian markets outside Mainland China where the Penfolds Bin and Icon portfolio revenue grew 15% and 38%, respectively in the year.

We progress towards our plans to deliver a future state premium wine business in the Americas with the divestment of the U.S. commercial portfolio in March, a very key milestone. Pleasingly, the positive trajectory of our Americas business delivered significant growth in both EBITs and EBIT's margin in fiscal '21. And while this transformation is ongoing, we are very pleased with the progress being made by Ben Dollard and his team in states.

We also continue to progress our extensive global supply chain optimization program, which is now in its advanced stages, and we expect to deliver cost savings of at least \$75 million per annum from fiscal '23 onwards. And finally, assuming not the least, a leading priority in fiscal '21 was accelerating the separate focus across our brand portfolios. And on the first of July, we transitioned to our new divisional operating model, led by Penfolds, Treasury Premium Brands and Treasury Americas. This new model will deliver increased focus and accountability throughout our business and will also ensure we fully leverage our global scale and diversification. We are already seeing the benefits of this new model with each division focusing on their own set of strategic priorities, which I'll touch on shortly.

So in summary, I'm very pleased with the operating and financial performance we delivered in fiscal '21, which I hope provides you as our shareholders with the confidence in our ongoing ability to meet our long-term growth ambitions.

So I'll now shift our attention to fiscal '22, starting with a very clear set of priorities that we have set ourselves to deliver as we continue to progress towards our 2025 strategy and our ambition to be the world's most admired premium wine company.

The Penfolds team, the Penfolds division will focus on growing global demand for the brand by attracting new consumers as well as expanding distribution and availability in key channels and markets around the globe, whilst optimizing our portfolio for long-term growth with the execution of a multi-country of origin strategy that will include propositions sourced from the U.S. and France in addition to our Australian portfolio. Investing behind this strategy is absolutely going to continue to be a priority, and we are currently finalizing the acquisition of an additional winery as well as vineyards in Bordeaux that will provide incremental sourcing and production capacity for Penfolds going forward.

Treasury Americas will be focused on driving relentless focus on the premiumization across this business, the TWE 10 portfolio, also delivering portfolio expansion through bold consumer-led innovation and completing the brand and asset optimization program we've commenced over a year ago.

The Americas team will also pursue opportunities to further complement what is now a highly focused portfolio of premium brands, either organically or through targeted bolt-on acquisitions that meet our strategic and financial criteria for growth. For the Treasury Premium Brands division, the focus will be expanding a fantastic portfolio of premium brands across priority markets globally and channels within those markets, building out our multi-country of origin consumer offerings and establishing a sustainable and fit-for-purpose cost and capital base that will support the margin ambitions we have outlined for the division.

Very importantly, supporting the divisional growth of the 3 divisions are 4 TWE group-wide priorities being led by our corporate and central functions and implemented throughout our business. These priorities continue to be elevating our culture and talent, critical, embedding sustainability right throughout TWE, investing further in technology tools and advanced platforms. And finally, pursuing global innovation, and as I mentioned just before, inorganic

growth opportunities that can either fill premium portfolio gaps across our brand portfolio divisions, leverage our existing strengths or build new capabilities for the future.

As we exit the first quarter of fiscal '22, the recovery of key luxury channels impacted by the pandemic are slightly behind the expectations we had at the beginning of the fiscal year. This is particularly the case in the U.S., where reopenings of luxury wine channels continued but at a gradual pace, with on-premise depletions growth slightly slower than we'd anticipated. And in Australia, where extended lockdowns in Sydney and Melbourne have resulted in the closure of on-premise channels, delaying our execution plans, for example, of the growth of our Penfolds portfolio outside of the large retailers. In Asia, disruptions to key sales channels continue across large parts of the region.

So whilst the momentum in these channels is slightly behind where we had planned, we remain very, very confident that as vaccination programs gain momentum and restrictions ease across these key premium and luxury wine sales channels that we are well placed to execute our plans to deliver the growth. And in the meantime, the retail and e-commerce channels continue to perform strongly, albeit with slightly moderating growth rates compared to the prior year where there were significant shifts in consumer purchasing behavior earlier in the pandemic.

And finally, consistent with other global businesses, we are seeing pandemic-related impacts to logistics and supply chains with vessel availability, shipping delays becoming more pronounced, but we expect these challenges to be ongoing, and we're planning for them, and we'll continue to actively manage this with our customer base and with our supply chain. Outside of these factors, our global business is performing well in line with our expectations, and we are very pleased with the underlying performance of our divisions in the first quarter in the channels where we can execute.

Starting with Penfolds. It has maintained top line momentum led by the Asian markets outside of China and reflecting the ongoing success of our growth plans. This is being driven by our priorities of attracting new consumers, growing distribution and availability in key markets and further reinforcing our belief that we have moved beyond the stage of reallocation to now global expansion and growth and building demand. In Asia, ex China, depletions grew 19% in the 3 months to August, and our customer inventory levels remain very healthy, with forward days inventory cover sitting in line with where they were at the same time prior year.

In Australia, the 2021 Penfolds release is performing well. But importantly, with pricing remaining stable across all key brand tiers. And for Treasury Premium Brands, portfolio premiumization continues across this new division with NSR per case improving in the first quarter. In Australia, new Pepperjack ranges continue to gain traction with new varietals and our innovation pipeline remains strong, with a pretty exciting first zero-alcohol wine Wolf Blass Zero launching in Woolworths Supermarkets this month. In the U.K. we continue to perform ahead of the market, led by 19 Crimes and Squealing Pig.

For Treasury Americas, the TWE 10 portfolio, as we like to call it, continues to outperform the market in retail channels growing 3% compared to the market above \$8, which declined 5% in the 3 months to 19 September 2021. Our significant transition of distribution to our partner, RNDC in California and Texas has now been completed successfully, and we now shift our attention to building strong execution with this partner in the coming months, supported by outstanding programming through the October, November, December period. And finally, we are continuing to progress with our plans to divest the remaining nonpriority U.S. brands and assets.

So we remain positive on the performance of our business in fiscal '22 led by the continuing momentum behind our premium portfolio and the execution of growth plans for Penfolds across key global channels and markets. Across the globe, our underlying business is performing in line with our expectations, where the channels are open and operating.

However, the pandemic-related factors will continue to have a bearing on our performance in the short term, both with respect to largely the timing and the pace with which key sales channels reopen and recover across key markets.

So in closing, fiscal '21, as Paul said earlier, was a year of significant change and achievement for TWE, where we navigated major disruptions and challenges to deliver a strong performance whilst executing at the same time a number of key strategic priorities that have absolutely strengthened our business. As we continue to progress towards the delivery of our 2025 strategic agenda, we remain very confident in the outlook for your company including our financial objectives of delivering sustainable top line growth and high single-digit average earnings growth over the longer term. I would also like to thank our shareholders for their continued support, and I look forward to updating you on our first half results in February. Thank you.

Paul Ashley Rayner

Thanks, Tim. Ladies and gentlemen, now that brings us to the formal part of the meeting. And there are 4 items of business which have been listed in the notice of meeting. And before we consider the items of business, there are some procedural matters, which I wish to draw to your attention.

As mentioned earlier, voting will be conducted by way of a poll and you may vote at any time. I will introduce each item of business and then take questions on all items of business together. This approach has been adopted to allow those shareholders with slower Internet connections, the time to submit questions at their leisure, which is not possible when questions are required to be submitted in a much shorter time frame that follows each item of business. You can submit your questions at any time. Details of the proxy votes recorded for and against each item will be displayed at the conclusion of our discussion.

The final results of the polls will be available later today on the ASX website and also the company's website. If you are a proxy holder and hold only directed votes, you must vote in accordance with those directions. And if you're a shareholder or a proxy holder with open votes, please record your votes by selecting the for, against or abstain box for each resolution as instructed at the beginning of the meeting.

I am holding open proxies in my capacity as Chairman, and it's my intention to vote such proxies in favor of the resolutions. Any directed proxies that are not voted at the meeting will automatically default to me as Chairman of the meeting, and I'm required to vote those proxies as directed.

A reminder, the poll is currently open, and you can submit your votes at any time. Now I'll now move to the items of business to be considered at this meeting. The first item is to receive and consider the consolidated financial report of the company as well as the reports of the directors and the auditor for the year ended the 30th of June 2021.

Now this item does not require a resolution to be put to the meeting, but it does provide an opportunity for discussion on anything in the reports. And as I mentioned earlier, the company's auditor is available here to address questions in relation to the conduct of the audit or the content of the auditor's report.

The next item of business will be the reelection of directors. And at today's meeting, all nonexecutive directors are standing for reelection in accordance with the policy that we adopted in 2019 that all our nonexecutive directors will seek reelection annually and that started with the 2019 AGM.

Now details of each of the directors' qualifications and experience are set out in the Notice of Meeting, and they're also in our annual report. Now in response to stakeholder feedback, we

have adopted a process whereby 1/3 of the Board will speak to their reelection at each Annual General Meeting. So this year, you'll hear from Ed Chan, Colleen Jay and Lauri Shanahan.

Now Item 2A is the reelection of Mr. Ed Chan as a Non-Executive Director. Now Ed has recorded a brief address to the meeting, which we will play for you right now.

Yiu Cheong Chan

Thank you, Chairman. Good morning, ladies and gentlemen. My name is Ed Chan, and I'm honored to address you today to seek your support for my reelection as director of Treasury Wine Estates. I joined the Board in September 2012 and currently I also serve as the member of the audit committee.

By way of background, I was born in Hong Kong, emigrated to the United States in the 80s and then relocated back to Asia since the early 90s. My 30-plus years of work experience have mostly been in traditional consumer goods and services and retail. In recent years, I have added to my experience in consumer and retail technology industry through working for venture capital companies.

The companies I have worked for include McKinsey, Bertelsmann, Dairy Farm, Wal-Mart, Asia food and retail conglomerate CP Group, Softbank Vision Fund and Gaorong Capital.

I have held significant roles in these companies, leading important part of the businesses, such as divisional CEO. While most of these companies are global in nature, my roles are largely focused on Asia with emphasis in China. I've also complemented my board experience by having served and retired from Yum China Board, the largest restaurant group in China. And currently, I also remain a Board member for Link REIT, Hong Kong listed Asia largest real estate REIT by market cap and one of the most respected companies in terms of Board governance.

I believe I've made valuable contribution to the company since my appointment as a Board member. My unique experience in consumer goods and services, retail and in recent year, consumer technology have enabled me to contribute to the development of TWE as a Board member. I am confident that with my experience from the past and the continued development of my skills in traditional and new economy in consumer and retail industry will enable me to make further contribution to the Board of your company if I am reappointed.

I continue to be excited by the future opportunities for TWE. And despite recent challenges, the strategy is very clear, and I'm confident of the Board and Tim Ford, our CEO and his dedicated management team. And together, we will deliver to you a company you are proud of and be rewarded very satisfactorily.

Paul Ashley Rayner

Thank you, Ed. Item 2B is the reelection of Mr. Warwick Every-Burns as a non-Executive Director. And Item 2C is the reelection of Mr. Garry Hounsell as a Nonexecutive Director. And Item 2D is the reelection of Ms. Colleen Jay as a nonexecutive director. And as I said before, Colleen has recorded a brief address to the meeting, and we'll now play that.

Colleen E. Jay

Thank you, Chairman, and good morning, ladies and gentlemen. I'm honored to offer myself today for reelection as a Director of your company. I joined the Board in April 2018, and I'm a member of the Board's human resources committee. I have thoroughly enjoyed my time on the Board of Treasury Wine Estates, and I stand for reelection before you today in the hope of continuing to work with this truly diverse and experienced Board and talented management team.

I have over 32 years executive experience at Procter & Gamble, an American multinational Consumer Packaged Foods Company, which provided me with significant experience in the

fast-moving consumer goods industry. I have deep experience in strategy development and execution, global line operational leadership, global brand building, new business development, M&A and transformational innovation with an emphasis on technology. I also have significant global experience having lived and worked in the U.S.A., Europe, China and Canada, each of which are jurisdictions in which TWE operates.

I'm excited by the strength of our brands and people as well as the opportunities which lie before us.

Over my time at TWE, I've been very impressed with the capability, motivation and commitment of the leadership team and the culture within the company. I look forward to supporting our executive team to deliver high performance and long-term growth for the business and for our shareholders. I believe that my background fits well with the operations of the company and I'm ideally placed to understand the challenges of managing a global brand portfolio led business and supporting the company's strategic agenda. If reelected, I am committed to devoting the time and the effort required to making a meaningful contribution to your company. I think TWE has a really exciting road map ahead under the stewardship of the company's Board and the outstanding management team, and I look forward to continuing that journey alongside the other directors and in serving you, the shareholder. Thank you.

Paul Ashley Rayner

Thank you, Colleen. Now Item 2E is the reelection of Ms. Toni Korsanos as a Nonexecutive Director. And Item 2F is the reelection of Ms. Lauri Shanahan as a Non-Executive Director. And Lauri has also recorded a brief address for the meeting, and we will now play that.

Lauri M. Shanahan

Thank you, Chairman, and good morning. I'm honored to offer myself today for reelection as a Nonexecutive Director of Treasury Wine Estates. I joined this Board 5 years ago and currently serve on the Human Resources Committee. In terms of my qualifications, I have over 30 years of executive and Board leadership experience as well as strategic advisory experience across a number of global omnichannel and brand portfolio enterprises.

My roles have been focused on public companies as well as with private high-growth companies in retail, consumer products, consumer services, technology and hospitality. I am currently on the boards of 3 other publicly traded companies and have leadership experience serving as a Board Chairman as well as Chair of nominations, governance, compensation, succession and development and audit committees. I previously spent 16 years at Gap Inc., a vertically integrated global retailer with a portfolio of well-known brands and operations in over 50 countries. While at Gap, I served on the executive leadership team, and played a key leadership role on a number of strategic and operating initiatives involving global brand strategy, international expansion, supply chain optimization, information technology and corporate responsibility, governance and compliance.

I am particularly proud of my role in developing and empowering diverse teams and for building and leading a global ESG and corporate responsibility organization that has been recognized as 1 of the first of its kind. I believe that my broad background in growing iconic brands, implementing complex strategic plans, instilling ethics and integrity into every aspect of our businesses, and relentlessly focusing on the cultivation of meaningful relationships with our consumers, positions me well to add value to this business. demonstrating the fundamental ties between corporate responsibility and sustained and profitable growth has always been what drives me. I have had the great honor and privilege of not only working with like-minded colleagues on this board, but a truly exceptional leadership team that is unwavering in this regard. If reelected, I will continue to invest my time and energy toward growing this business and ensuring its sustainability and success for many years to come. Thank you.

Paul Ashley Rayner

Thank you, Lauri. A reminder that the poll is currently open, and you can submit your votes at any time. Item 2G is the reelection of myself, Paul Rayner, as a Nonexecutive Director. Now that covers all of the resolutions regarding the reelection of our directors. And the Board, with each director abstaining as to their own reelection, recommends the reelection of each of the nonexecutive directors.

Item 3 on the agenda today is a nonbinding advisory vote for the adoption of the remuneration report for the year ended the 30th of June 2021. And you can see the remuneration report within the annual report, which is available on the company's website. It includes details of the company's policy on remuneration of directors and executives, a discussion of the relationship between that policy and our performance and details of the performance conditions associated with the remuneration of the Chief Executive and our key management personnel.

Both the Board and the Human Resources Committee review our remuneration strategy and structure on an ongoing basis, taking account of business appropriateness, market suitability and shareholder and other stakeholder feedback. And as stated in the notice of meeting, this is an advisory and nonbinding resolution. Although the Board's Human Resources Committee will take discussion on this resolution into account when we consider the future remuneration arrangements for your company. Directors recommend that shareholders vote in favor of this resolution. And a reminder, you may submit questions anytime and I will shortly address them.

I'll now move on to Item 4, which is for the grant of performance rights under our long-term incentive plan to our CEO, Tim Ford. A summary of the proposed grant, including the performance criteria and hurdles for each performance condition, are set out on Pages 15 to

19 of the notice of meeting, and they are explained in the remuneration report. And the directors, with Tim abstaining, recommend that shareholders vote in favor of that resolution.

I'll now take questions on each item of business. If you have not already done so, please submit any questions that you have either by audio or in writing by selecting the messaging tab, type in your question and hit the arrow symbol to send it. And a reminder again that the poll will remain open for 5 minutes after the conclusion of the meeting. So you've got an opportunity to hear the response to the questions asked before you finalize your voting. Now to start with, we've received some questions in advance of the meeting. So I'm going to address those first in the order in which they are received. I'll then respond to questions submitted that come live during the meeting.

Now our Company Secretary, Kirsten Gray, sitting next to me, will read out each question received. Now Kirsten, would you proceed with the first question, please?

Question and Answer

Kirsten Gray

Certainly, Mr. Chairman. The first question is from Mr. Martin Nguyen. His question is, when will TWE get the U.S.A. portfolio moving in the right direction? Too many tactics and not enough strategy?

Paul Ashley Rayner

Thank you for your question. Look, following the divestment of our U.S. commercial portfolio, which was back in March of this year, we now have a very clear and focused portfolio strategy with our American business that, as Tim just said, was centered on our 10 premium and luxury brands, which we call the TWE 10. This portfolio really performed well in fiscal '21 and referencing the statistics that Tim shared earlier, has continued to grow strongly in the first quarter of the current fiscal year, fiscal '22, Ben Dollard who runs our Americas business, and

his team have done an excellent job reshaping that business, and we are very confident that we now have the right portfolio strategy in the Americas region.

Kirsten Gray

Thank you Mr. Chairman. The next question is from Mr. William Holmes and Mrs. Linette Holmes. We no longer make purchases through the cellar door due to the appalling delivery service. The service compared to retailers is abysmal, are their plans to upgrade the delivery service offered to shareholders?

Paul Ashley Rayner

Again, thanks very much for your question. Look, we take great pride in offering a high-quality service in the cellar door to all of our members, including shareholders. And I'm really sorry to hear you've had a poor experience with the platform. There's no doubt, the pandemic resulted in some delivery delays. And sometimes, they've been significant. And they've been beyond our control, in most cases. But we absolutely aspire to provide you and all customers with a high-quality service. And look, I'll ensure that someone gets in contact with you following the meeting to just address your concerns. So you'll hear from us. But thanks for your question.

Kirsten Gray

The next question is from Mr. Eric Wheeler. His question is, KMP remuneration levels remain far too high. Why?

Paul Ashley Rayner

Thank you. Look, we review our remuneration for our executives annually against the peer group, to ensure we can attract and retain the best talent that's just fundamental and build a performance-orientated culture that's sufficiently motivating. Benchmarking is undertaken by an independent external consultant and is provided to the Chair of our HR Committee. And

when setting the peer group, we look at both industry and general market peer groups with key criteria applied such as what our market cap is and revenue and those of our peers. Both Australia and global peers are considered, reflecting the complexity of the roles that we have. We're a global business, and our international lands on talent. We're looking around the world for people.

Fixed remuneration is set at a market competitive level, we have to do that, and it's reflected at the individual's executives, the individual's skills, their experience and responsibilities and it takes into account the complexity of the role, the location and performance. And in the case of both the CEO and the CFO in fiscal '21, the benchmarking demonstrated that they are paid under the market meeting -- under the market median. And therefore, they were awarded a higher than CPI increase of 5% to bring them closer to that market median.

Now the Board believes these are modest adjustments based on market data. And with regards to total remuneration, the F '19 long-term incentive plan which was tested at the end of the financial year just ended in fiscal '21, that fully lapsed. In other words, it did not pay out at all.

Now this is the second year in a row that it hasn't paid out. we wished it did pay out, but that has not met the performance conditions. The F '21 STIP though, which is our short-term incentive plan was paid to executives. But previous year, it wasn't. There was no STIP paid in fiscal '20. This is all set out in the remuneration report, and we adjusted the targets during the year in accordance with what was happening in the marketplace. Whilst the company achieved above-target performance against the revised STIP targets. The Board determined that the F '21 STIP balance scorecard multiplier for executives was paid at target. We paid it out of target. And we thought this was appropriate given the targets we adjusted midyear and to align with shareholder returns. But thank you very much for your question.

Kirsten Gray

The next question is from Ms. Helen Hasen. Her question is, when will the remuneration packages for senior staff and the Board be limited to no more than 10x the annual salary of the lowest paid employee or contractor?

Paul Ashley Rayner

Thank you, Mrs. Hasen. Look, we continue to monitor executive and director remuneration as it relates to both the benchmarks, which I talked about in answering the previous question, and internal relativities. So we conduct annual benchmarking of remuneration for all employees and conduct an annual merit review of budgets based on CPI and wage price indices. Now the fixed remuneration of our CEO is currently about 9x to 10x the average employee base salary globally, and that excludes though hourly paid employees and other executive KMP at have paid a ratio of 4 to 5x average salary. But thanks for your question, gave me the opportunity to give you those numbers. Appreciate it.

Kirsten Gray

Next question is from Mr. Ivano Reale. His question is, what is the real strategy of TWE with respect to Italian wines? Gabbiano is one of the most authentic recognized Italian brands in North America, wrongly changed in Cavaliere D'Oro and now almost disappeared in the strong North American market.

Paul Ashley Rayner

Thanks, Mr. Reale. Look, we know consumers love Italian wine and our Italian portfolio remains very important to Treasury Wine Estates. I can assure you of that. And we're also very proud of the Gabbiano brand and the 600-year-old Castello di Gabbiano in Tuscany, a magnificent place. And this brand is still being sold albeit in smaller volumes. Now look, the transition to Cavaliere D'Oro did not resonate with the consumers as we'd hoped. So I think you're right in that comment that you made. But as a result, to leverage the brand and assets

as strongly as possible, we are now reverting our focus back to the Gabbiano core brand so that we can connect with our consumers across the globe.

A key growth strategy, 4 Treasury Premium Brands is to expand their country of origin footprint. So I can assure you that Gabbiano will now form a focus of the Treasury Premium Brands portfolio as we do that. We are working to scale the brand in focused markets throughout the U.S.A., Canada, Europe, Asia and Australia and New Zealand. And beyond Gabbiano, we're looking to see a multi-country of origin strategy to bring Italian wine to the world through the Treasury Premium brands portfolio as well as introduce bold new Italian brand propositions that can leverage our core Italian assets even more effectively. So a very good question. Thank you.

Kirsten Gray

The next question, Mr. Chairman is also from Mr. Ivano Reale. His question is, is there any chance in China will we open their market to Australian wines in the next 24 months?

Paul Ashley Rayner

Look, thank you again, Mr. Reale. Look, the current measures in China are scheduled to be in place until March of 2026, so that's sometime away. Our top strategic priority for Penfolds is on building our consumer demand globally, and we're very confident about the potential for growth of the Penfolds brand across the global luxury market. Now look, we're already a well-diversified business with strong growth being delivered in Australia, other key markets in Asia, the U.S.A. and also EMEA. The implementation of our global response to the trade measures implemented in China took a significant step forward in the second half of fiscal '21.

And in addition to reallocating product to meet previously unmet demand, we accelerated investment to support future growth for Penfolds in some of our key global markets.

Kirsten Gray

The next question is from Ms. Selissen Akaric. Her question is, please eradicate the ridiculous bonus share in payments to KMPs and Board members. The scale of these remunerations is unwarranted as their remunerations are already extremely generous and unable to be controlled by shareholders.

Paul Ashley Rayner

Thank you, Ms. Akaric. Look, as noted earlier and covered this in part, look, we review remuneration for executives annually against the peer group, and the Board believes that our executives and directors are paid fairly and competitively in line with market rates, and we have to do that. We aim to ensure we have remunerations in place that attract and retain our executives. Whilst also to align their outcomes to you, the shareholders' returns. It's also worth noting that nonexecutive directors do not receive bonus payments. Shareholders are able to have their say on our remuneration structure by voting on our annual resolutions to adopt the company's remuneration report and to grant performance rights to our CEO under the long-term incentive plan.

Kirsten Gray

The next question is from Mr. Rod McKenzie on behalf of the Australian Shareholders Association. His question is TWE currently has 4 long-serving directors with 9 or more years' service. This includes Paul Rayner, the Chairman and Non-Executive Director since 2011; Warwick Every-Burns, a Non-Executive Director since 2011; Ed Chan, a Non-Executive Director since 2012; and Garry Hounsell, a Non-Executive Director since 2012. I know the company has been through some difficulties in the past couple of years, but Board renewal is seen as an important function of the Chairman to ensure the long-term success of the company. Can you, Mr. Chairman, give any indication when we may see changes in the ranks of the long-serving directors and is the next Chairman likely to be an Australian citizen?

Paul Ashley Rayner

Look, thank you, Mr. McKenzie or Rod, because we've met quite a few times. Look, succession planning and Board renewal is a top priority of our Board, and we've given it much thought. And look, earlier today, you would have heard, I spoke about the implementation of our succession plans for the Board committee chairs, of Warwick's intention to retire in a year's time at the next AGM. The board is always looking at composition, and we want to ensure we have the right mix of skills, diversity and experience as well as tenure on the board. And succession plans for our longer-serving directors, including myself, are in place for the next 1 to 3 years. And both the Nominations Committee and the Board have had input into these plans. Now look, stability amongst the nonexecutive directors, specifically for the role of the chair was of paramount importance with our recent CEO transition.

Tim, though has now served over a year as CEO and has an exceptional executive team in place, and we're very well placed to implement the Board's plan for succession and renewal that I referred to earlier. And as a global company, the cultural and geographic diversity of our directors plays a very valuable role and we have directors located in Asia, the U.S.A. and Australia. And this cultural and geographic diversity on our Board contributes greatly to our strategic direction.

Now that being said, we have our primary headquarters in Australia, and we're listed on the Australian Stock Exchange, and our CEO has been based in Australia. And as a result, while no decisions have been made in this regard, it would make sense to continue to have the Chairman of the Treasury Wine Estates Board based here in Australia.

Kirsten Gray

Mr. Chairman, the next question is a question for the auditor. The question is from Rod McKenzie on behalf of the Australian Shareholders' Association. For the past 2 years, the key audit measures identified in the annual report have included valuation of inventory and

recognition of discounts and rebates. With a number of assets comprising wineries, plant and equipment and possibly wine in process, earmarked for sale or other disposal during FY '21, following a similar asset reduction program in FY '20. What can you tell us about how the audit determined that the accounts properly reflect the true value of the assets marked for sale?

Paul Ashley Rayner

Look, thanks, Kirsten. That question has been directed to our auditor, Gordon Sangster, who is here from KPMG. So I'll ask Gordon to respond.

Gordon Sangster

Thank you, Chairman. Before responding, it might be helpful to shareholders if I briefly explain the audit process used to form our opinion on the financial report. In planning our audit, we considered relevant risks facing the company including the potential misstatement of assets held for sale. We planned our audit to respond to those risks that, in our view, may have a direct and material impact on the financial statements. In regards to assets held for sale, we performed audit procedures in accordance with Australian auditing standards. Those procedures involve performing an assessment of whether the requirements of AASB noncurrent assets held for sale and discontinued operations regarding the application, measurement and presentation and disclosure had been met.

For each asset or disposal group, this included a consideration of 5 factors: the existence of internal approvals for divestment and there being an active committed plan for sale, the assets being available for immediate sale in their current condition, the assets being measured at the lower of cost and fair value less cost to sell, the existence of expressions of interest and/or offers received by management for the assets and finally, the presentation and disclosure of the amounts within the financial statements. I hope that answers your question.

Kirsten Gray

Thank you, Gordon. Mr. Chairman, the next question is also from Rod McKenzie on behalf of the Australian Shareholders' Association. Can you assure shareholders that the independent directors or Board Human Resources Committee, which is in charge of overseeing the potential conflicts of interest policy review asset disposals to ensure that assets are not being sold to related parties at less than market value? What safeguards are in place to ensure this situation doesn't arise?

Paul Ashley Rayner

Look, thanks again, Rod. Look, the company has in place clear mechanisms and processes to manage conflicts of interest. And as you noted, the company has adopted a potential conflict of interest policy which is reviewed annually. In line with this policy, employees are required to declare relevant potential conflicts and a record of each of these declarations is maintained. Now directors are also required to report any potential conflicts of interest and a record of those is also maintained and distributed to the board at each Board meeting -- scheduled Board meeting.

Decisions regarding asset disposals is each dealt with under a Board approved delegations of authority matrix, whereby any asset disposal must be submitted for review and approved by a Board appointed delegate. Any significant asset disposal is submitted to the whole Board review and approval. The review and approval process for any asset disposal ensures that transactions are at arm's length, and we are confident that assets are not being sold to related parties at less than market value.

Kirsten Gray

The next question is also from Rod McKenzie on behalf of the Australian Shareholders' Association. The ASA would ordinarily vote against the remuneration report and the award of performance rights to the CEO and MD based on the 3-year performance period. F '20 and F

'21 were difficult years for the company with COVID-19 restrictions and trading issues, particularly with the China tariffs and drought and bushfires in California.

The new CEO and MD has been employed on a considerably lower overall remuneration package and the company did not pay short-term incentives for FY '20 due to the difficult trading conditions. For these reasons, this year, we have voted for the remuneration report and the grant of performance rights to the CEO. However, the ASA would prefer a full year performance period for the award of long-term incentives. This is more in line with the longer-term view of many retail shareholders. Will the company review the LTI awards for executives with a view to changing to a 4-year performance period?

Paul Ashley Rayner

Thanks very much again, Rod. Look, as noted earlier, the Board believes that the remuneration outcomes are fair, based on the CEOs and the company's performance during what's been a challenging year. And look, we aim to achieve a balance between appropriately motivating and rewarding our executives for results that have been delivered in extenuating circumstances and supporting the company for long-term growth and returns for our shareholders. Our long-term incentive plan is lapsed in full and did not pay out for 2 years in a row. And as you mentioned, fiscal '20 STIP, which is our short-term incentive plan was also not paid out last year.

Now look, Tim has been very successful in mitigating the impact of the external dynamics. And at the same time, we've seen a continued step forward in the company's culture, which has been a focus since his commencement in the role and at a time where a significant portion of our workforce have been working remotely. The Board reviews the long-term incentive plan every year. So we do think about your question every year, and we strongly believe that ROCE and relative TSR are still the right measures to continue to align management and shareholder outcomes, and we still think that a 3-year performance period is appropriate.

But I do take your thoughts to account, and we think about them when we sit down each year. It's worth noting that 1/3 of our STIP payments are also paid in equity, and they are restricted for up to 2 years. I'd just like to say, we do appreciate the ongoing interaction with the Australian Shareholders' Association. Their continued interest in our company and your thoughtful questions at our meeting. So thanks very much for your engagement with us, Rod.

Kirsten Gray

Thank you, Mr. Chairman. The next question is from Mr. Stephen Mayne. His question is there are 5 proxy advisers in the Australian market. Ownership Matters, ISS, CGI, Glass Lewis, Axi and the ASA. We know ASA is recommending voting in favorable items. If any of the other proxy advisers gone against the Board's voting recommendations today? And if so, please provide the details. Have there been any material proxy votes against any of the items of business and will these be disclosed before the debate on each item?

Paul Ashley Rayner

Thank you, Mr. Mayne. No proxy advisers recommended against the Board's voting suggestions. There have been no material proxy votes against any of the resolutions that have been put to shareholders today. And the proxy results will be displayed on the screen following the questions portion of the meeting and before voting closes. But thanks for your question.

Kirsten Gray

The next question is also from Mr. Stephen Mayne. His question is, could Toni Korsanos, please comment on why she is too busy to continue serving on the Crown Resorts Board. It has enough time to step up and become Chair of the TWE Audit Committee, even though she recently became Executive Vice Chair global gambling company, Scientific Games. Could Toni

please clarify why she quit Crown and how much time she is committing as an executive at Scientific Games?

Paul Ashley Rayner

Thanks for your question again, Mr. Mayne. We're not going to comment on the affairs of another company at this meeting. and some of your questions are better directed to another meeting. But as far as Treasury Wine is concerned, I'm very comfortable that Toni has the time to continue to do the great job that she's doing as a director, and she's going to very ably step into the role of Chair of our Audit and Risk Committee. I'm totally confident she's got the time to do that. I'm very pleased that she's joined our Board.

Kirsten Gray

The next question is also from Mr. Mayne. His question is, has the demerger of Endeavour Group from Woolworths had any impact on TWE? Roughly what proportion of our Australian sales used to go through Woolworths before the pandemic and the demerger. And has this increased or decreased during the pandemic?

Paul Ashley Rayner

Look, Endeavour Group is a very important customer. And I might just get Tim to comment on that. Would you like to comment on that, please, Tim?

Timothy Ford

Sure. I think I'll start with the first question. The demerger of Endeavour Group has had no discernible impact on Treasury Wine Estates. And we've been working very closely since the start of this calendar year, really, in terms of preparation for our shift in operating model with the Endeavour Group and as they've shifted their business as well. So from that perspective, I think our relationship has gone to a much more longer-term planning strategic level with Endeavour Group. And Steve Donohue and his leadership team have been fantastic to work

with as we've transitioned our operating model, too, which was potentially a big change for the customer. And I think we're quite clearly aligned on we both think it will be a better way to grow the wine category and the role that we play with that with EDG. So I'm very pleased with where the relationship sits with them.

In terms of the proportion of Australian sales, we don't talk publicly around the Australian sales component. But in our accounts, the customer EDG in total of our global NSR or global sales revenues is about 8% in fiscal year '21. And it's important to note that I think through the pandemic, which was fiscal '21 was through the whole pandemic, and clearly, retail customers did become a larger component of our sales revenue as more luxury wine channels, for example, were shut and closed or at least inhibited quite significantly Mr. Mayne, through that period of time. So yes, but Woolworths or EDG. Sorry -- EDG now, it covers the full range. They've got great stores. It's a great partner. Their route to market is fantastic. And we look forward to long-standing relationship continuing with Steve and the team there.

Kirsten Gray

The next question, Mr. Chairman, is also from Mr. Stephen Mayne. His question is, Paul Rayner has been chair for the past 9 years and a director for 10.5 years. Can he cite another ASX 200 company, which has had the same independent chair for the past 9 years? And how much longer does he intend to serve? And does he believe his successor is currently serving on the Board?

Paul Ashley Rayner

Look, thanks for your question. Yes, I have been on the board 10 years and Chair for 9, and I'm proud of the performance of the company since it kicked off. I've already commented about the Board's succession planning. We do plan to retire the long-serving directors over the next 1 to 3 years. And I can assure shareholders, we understand it's important to get the balance of

Board tenure right, and we do have a robust Board succession planning process in place, Mr. Mayne.

Kirsten Gray

The next question is also from Mr. Mayne. His question is, congratulations to all of the directors for agreeing to voluntarily put themselves up for election every year since 2019 rather than opting for the normal 3-year terms. Annual elections is best practice and mandatory in other markets, such as the U.K. and the U.S. What sparked this excellent move in 2019? And why hasn't any other ASX-listed company followed suit, including boards such as Boral, Qantas, Myer, Webjet, Crown and the like where our directors have served in recent years? Have you thought about enshrining annual elections into our constitution and, at the same time, removing the ownership requirements for external candidates to nominate for the TWE Board?

Paul Ashley Rayner

Look, thank you. And look, I think the annual election is a good process that we've put in place now for a couple of years. I think it really helps in succession planning process when you know directors when they're up for election out there for 3 years. And it certainly helps in the annual review of Board director performance. So thanks for your question. Look, I don't think we plan to change our constitution. I don't think that's necessary. And I'm not going to comment on other companies. My job is Chair of Treasury Wine Estates. And I think the annual election really suits our purpose. And I do think it's good governance and thank you for commenting in relation to it.

Kirsten Gray

Thank you, Mr. Chairman. The next question is from Mr. Aston Aurensen. His question is in the remuneration report, both the short-term incentive plan and the long-term incentive plan is EBIT as a measure of profitability. Not one performance measure takes into account the actual

real profitability of the company. How is this not wholly inconsistent with the objective of aligning remuneration with shareholder benefit and the real financial success of the business giving shareholders and the company benefit from the actual profits of the company, not fake profits that exclude the very real and legitimate expense of interest. Is it a crazy idea that management's remuneration is aligned with the actual performance of the company and not artificial figures that do not reflect the actual returns earned by the business and delivered to shareholders?

Paul Ashley Rayner

Look, we believe that EBIT is a measure of profitability that's most relevant to executive remuneration. And it's widely used that way across a number of companies. We certainly look at earnings per share. It's a very important measure. I take your point on long-term incentive plan that does not use EBIT. That's on a relative total shareholder return. It's tied directly into the returns that shareholders get and return on capital employed. In other words, return on investment measure, which again, is a very relevant financial form of performance that's widely recognized through the investment community as an appropriate measurement to measure success or otherwise of a company.

And for us, it's very important. Return on capital employed because we need to invest in inventory. We're in the luxury business, you need to put inventory away for a long period of time. And therefore, you've got to get the right balance between profitability and the money you got tied up in that inventory. So return on capital employed, which is the key measurement for our long-term incentive plan is a key measurement. So I'm very happy with the measurements we have. And I think they are most appropriate and really do tie into financial performance.

Kirsten Gray

The next question is from Mr. Kevin Daly and Mrs. Jan Daly. What's the status of the Australian wine industry complain to the WTO?

Paul Ashley Rayner

Can you answer that Tim?

Timothy Ford

I can take the response, but I actually can't answer it because it's a government-to-government engagement in relation to Australian government team with the World Trade Organization and we're not involved in the ongoing process of that given that that's the way it is and the way the process will play out. Now clearly, we will monitor and watch and see what evolves over time, but we obviously spend most of our time working on how we actually build out our future business model in China rather than what's going to be the outcome of that complaint and process.

Paul Ashley Rayner

Thanks, Tim.

Kirsten Gray

The next question is from Mr. Stephen Mayne. His question is, could Garry Hounsell, please explain how his ownership of the Toolangi Winery in the Yarra Valley continues while he serves on the TWE Board. He's also very busy. So could he explain how much of his time to Toolangi takes and what protocols are in place regarding information sharing, given that a small competitor is sitting inside our boardroom. Are there any or have there ever been dealings between Toolangi and TWE?

Paul Ashley Rayner

Look, thank you again, Mr. Mayne. Look, Garry no longer owns the Toolangi winery. His ownership, when he did have it, never impacted on the time he dedicated to his directorship at Treasury Wines, and his knowledge of the wine industry has been an invaluable benefit to our Board during his tenure.

Kirsten Gray

The next question is from Mr. Kevin Daly and Mrs. Jan Daly. Their question is Costa Group set up a blueberry industry in Morocco. Is there any opportunity for TWE in Morocco?

Paul Ashley Rayner

That's a very good question. Look, I might refer that to our CEO. Morocco is not normally on our wavelength. Do you want to answer that, Tim?

Timothy Ford

No. Look, at this point in time, we haven't spent much time on -- with Morocco as a growth opportunity for us. When we look at our businesses, they're very much, at this stage, focused on Australian-sourced and U.S.-sourced wines. In New Zealand, we've got the Italian portfolio. We're building out our French business as well but our focus will certainly be, for the foreseeable future, on those countries of origin where we have a smaller presence today and we want to build out our portfolio from existing wine regions.

We think that's the path forward for us. However, I do understand what Costa Group have done, and some very innovative methods that they put in place as well which actually we've learned from in terms of how we can innovate within our own supply chain. So your reference to Costa Group is a very, very good one, and we certainly engaging with them to understand how they do those sort of very innovative things in places like Morocco. So thank you for that.

Paul Ashley Rayner

Good, Tim.

Kirsten Gray

The next question is from Mr. Stephen Mayne. His question is the approach of public company directors to the widely awarded \$90 billion job keeper scheme has been under intense scrutiny with some companies choosing to pay job keeper receipts back to the ATO. Could we hear from the Chair and CEO on how TWE played job keeper? And are we aware of how widely accessed this scheme was within the broader Australian wine industry? Did proper many of our smaller family-owned competitors, and could Garry Hounsell disclose if his winery accessed job keeper?

Paul Ashley Rayner

To give a short answer to that, Mr. Mayne, I'm not going to refer -- comment on the affairs of other companies, but I can confirm to you that we did not receive any job keeper payments.

Kirsten Gray

The next question is also from Mr. Mayne. His question is, with the recent passing of John Elliott, does anyone on the board know if it was true that he used to regularly drink Grange even during business meetings? And even once in the 1980s instructed an operative to buy up as much Grange as was available across Australia?

Paul Ashley Rayner

Yes. I did know, John, and I can assure you in any meetings I had with him, he was not drinking any alcohol.

Kirsten Gray

The next question is from Mr. Robert Mantuano . His question is, TWE states that the DRP is open to Australian residents who hold fully paid ordinary shares in TWE. However, for the last

6 dividends over the last 3 years, to be eligible to participate in the DRP, a shareholder needs to hold a minimum of 500 shares.

Even though TWE talks about being a company that promotes equal opportunity, shareholders with less than 500 shares are not being given an equal opportunity and are treated differently, as they are not allowed to participate in the DRP. Many listed companies that have DRPs activated do not have a minimum shareholding requirement. The DRP is open to all shareholders. They treat all shareholders equally.

Paul Ashley Rayner

Look, thanks for your feedback. But we do need minimum participation levels to impose system efficiencies. I think 500 shares, it gives you something like 5 shares through the dividend reinvestment scheme. So look, we'll take your comments into account, but we do need some efficiency in the system. But thanks for your question.

Kirsten Gray

Next question is from Mr. Gregory Barresi . His question is, why do rights have to be so high for just doing your job?

Paul Ashley Rayner

I assume you're talking about the LTIP rights for long-term incentive plan. I think I've already covered that. We need to pay out -- we need to have an incentive system and a remuneration system that's competitive in the marketplace.

It comprises both fixed and variable components. And they are there to deliver value to executives. If they meet stretching performance goals that -- then they tie into shareholder returns, and I've already covered that in answering the previous question. So they're not just paid for doing your job.

And you can see, the last couple of years, long-term incentives have not paid out because we haven't achieved various incentives. And in fiscal '20, short-term incentives were not paid. The last year's short-term incentives were paid in fiscal '21, well deserved because of very good performance, in a very tough year, by the executives.

Kirsten Gray

The next question is from Mr. Stephen Mayne. Rather than doing AGM debate as a job lot supposedly to accommodate slow Internet connections of retail shareholders, why not utilize the Link software which allows shareholders to nominate the items of business they wish to ask questions on? Also, Link system retains a record of those questions asked that the shareholder can see. With Lumi, the written questions just disappear into the ether.

Paul Ashley Rayner

Look, thanks again, Mr. Mayne, but we do not use Link as our share registry.

Kirsten Gray

The next question is from Mr. Anthony Patterson . With the loss of the Chinese market, where does TWE see new large potential markets, including domestic opportunities?

Paul Ashley Rayner

Look, thanks, Mr. Patterson . Look, I think the first point to make is that we don't see the Chinese market has lost. I mean we have a multicountry of origin strategy. We've been building up our production capability in France over the last few years and we'll source product from France on an increasing basis into China.

We're also sourcing product from other parts of the world, such as South Africa. We also see that we'll be able to continue to get product into China, paying the new high rates of import

duty. They're very high at around about 176%. So volumes will be very, very low, but we intend to maintain a brand presence for Australian product in China through doing that.

Now we'll see if we can manufacture product within the Chinese market as well if we can. So there are lots of opportunities for us to continue to develop our situation in China and recover some of the lost product that we lost when you weren't able to source Australian-produced product duty-free rates into China, which were free -- on a duty-free basis, which we're able to do before.

But having said that, so the first point is that the Chinese market is still there and still very much part of our long-term focus. But as I said, I think, in my speech to shareholders before, there was unmet demand in many other markets around the world. And we've been able to reallocate product that was coming from Australia into China into some of those markets.

And some markets in Asia, such as Hong Kong into Thailand, Singapore. Other markets in Asia, and we're also looking to grow Penfolds significantly in the Americas region. And you may have seen that we've recently produced a Penfolds range of products in America. So we see great potential in the longer run for short term and longer run building up the American market for Penfolds as well.

So Penfolds is a global brand. So not only America, but also Europe. It's always been in Europe and strongly in Australia as well. So what happened with the higher tariffs in China has had a significant short-term impact on results for the year and also in F '22, but we're looking to recover it in other markets.

Kirsten Gray

The next question is also from Mr. Anthony Patterson . Can you provide any further details on the development of zero-alcohol wines by TWE?

Paul Ashley Rayner

Yes. Now look, we've just released Wolf Blass Zero into the Woolworths supermarkets, so you should be able to buy some. But I mean seriously, developing lower-alcohol products is a very important part of our corporate responsibility program and also catering to what I think many consumers want. So we have reduced alcohol wines that are available in various brands, and now we've just released the zero-alcohol product, which we call Wolf Blass Zero as well. So that's what's happening with that. And hopefully, you can buy some in your supermarket or wine store.

Kirsten Gray

Next question is from Mr. Stephen Mayne. Have we considered doing a 15% share placement to a Chinese government entity in order to facilitate the reopening of the Chinese market? This seems to have worked before the industry metals. Please outline what lobbying steps the company has undertaken in order to win favor with Beijing and which other global wine producers have been excluded from the Chinese market.

Finally, does the ban extend to Hong Kong? And have our sales in Taiwan increased since the Chinese ban came into place?

Paul Ashley Rayner

Thanks again, Mr. Mayne. The ban does not extend to Hong Kong. The -- I think the important thing to say here is that our relationship on the ground with our Chinese customers and Chinese stakeholders, and we have a significant number of employees in China, is a good one.

And we have been caught up in a geopolitical situation which is a government-to-government issue. And as a result of that, not only the wine industry but a number of other industries,

have seen the opportunities for selling Australian product into China significantly reduced. I've just covered, from the answer to the previous question, what we're doing in response to that.

Kirsten Gray

The next question is also from Mr. Mayne. We're currently embroiled in a class action where the 2 biggest class action law firms in Australia, Maurice Blackburn and Slater and Gordon, are jointly taking us on. How did these 2 traditional competitors come to be working together against us?

And please provide an update on where the case is at, including the likely timetable for a trial. Are we determined to fight all the way, like the Garry Hounsell chaired Myer did? Or are we going to settle as we did in 2017 with Maurice Blackburn when \$49 million was handed over without any admissions, of course.

Paul Ashley Rayner

I'm not going to comment on something that's before the courts, but you're right, there is a class action before the courts, Mr. Mayne. We intend to defend it vigorously.

Kirsten Gray

The next question is also from Mr Mayne. The annual report claims that we have almost 88,000 shareholders. When disclosing the outcome of all resolutions on your website, could you please advise how many shareholders voted for and against, similar to what happens with the scheme of arrangement? Rather than the outcome being swamped by big institutional holders, this will provide a better gauge of retail shareholder sentiment on all the resolutions, and was a new best practice disclosure initiative recently adopted by Metcash and Southern Cross Media after their AGMs.

Paul Ashley Rayner

Thank you, again, Mr. Mayne. Look, in line with listing rule requirements when reporting the results of the meeting, we will include the number of shares voted on each item, and not just the percentage and how they voted.

Kirsten Gray

The next question is also from Mr. Mayne. Could the CEO and Chair please comment on how regularly they are in contact with the former CEO? And are we still paying him for advice? Or engaging with him as a shareholder? Are there any incentive shares for the former CEO still in play? And if he's still a shareholder?

Paul Ashley Rayner

I'm not in regular contact with Mike. I think I've spoken to him once or been in contact with him. He is not receiving money for any advice he's giving us. In fact, he's not giving us any advice. Left on very good terms.

And I intend to try and look him up when I'm in the U.K. next year. But that's to play golf with him. Some LTIP, I think there's 1 year of the LTIP still -- the LTIP, the best this year. I think that's still in play for Mike. I'd have to confirm that if that's not right. Is he still a shareholder? I'm not sure, to be honest.

Kirsten Gray

The next question is also from Mr. Mayne. What discounts to the recommended retail price do the directors get when buying our wine? Does the same deal apply to our senior executives and the regular staff? And are there any differences in the terms for wine purchasing for directors, executives and staff located in different geographies?

Paul Ashley Rayner

We get a discount. I think it's the same that all staff get when buying wine. And it's not a huge discount, let me assure you. And I think that applies to all executives around the world, is that right, Tim?

Timothy Ford

Yes. Yes. No, I can confirm that, that we will have the same price list across the globe.

Kirsten Gray

The next question is from Mr. Kevin Daly and Mrs. Jan Daly . Has Brexit had any impact on sales into the U.K.?

Paul Ashley Rayner

Well I might just let Tim to comment on that. Thank you.

Timothy Ford

So in terms of the actual specific Brexit impact through the period of COVID and the pandemic is quite hard to pull apart. I think Brexit has had some on shelf availability impacts in terms of some of the procedures and processes that were put in place as part of that process when it did occur.

However, in its own right as a stand-alone factor, I don't think it's had an impact one way or another, either up or down. In terms of sales in the U.K., the pandemic has certainly driven significant sales in the U.K. through the retail channel with the closures, but not so much Brexit.

Paul Ashley Rayner

Thanks, Tim.

Kirsten Gray

The next question is from Mr. Aston Aranson . Part of the long-term incentive plan and the remuneration report uses relative total shareholder return. Over what period of time is this measured against? Given the market is a voting machine in the short term and can at times be wholly inconsistent with the actual performance of the company. Would it be unreasonable to measure this metric every 5 years or even longer?

It seems unfair on management to deny the remuneration merely because of speculation pushing the index up in the short term. And it seems improper reward management merely because of speculation pushing up TWE's stock price in the short term.

Paul Ashley Rayner

Yes. Thanks, Mr. Aranson . Look, I covered this earlier in relation to another question. We look at a 3-year period. But we do sit down and review it every year to make sure that we've got a long-term incentive plan in place that is market competitive and also is appropriate for the business at that point in time. So I'll take your points on notice, but currently we use 3 years, and we think it's been appropriate so far.

Kirsten Gray

Next question is from Mr. John Fifer and Mrs. Barbara Fifer . Has the European market and British, following Brexit, been investigated to all brands in depth to fill the lost China market?

Paul Ashley Rayner

I think the answer to that is yes. But Tim, do you want to add anything to that?

Timothy Ford

Yes. I think what I'll start with is that the lost China market to TWE is -- yes, we've outlined our country of origin strategy that we're going to drive going forward for U.S., French another country of origin wine. So that's how we're dealing with it.

I think if the question is asking, has the European markets and French categories and the like, replaced the Australian category in the China market? Partially -- the answer is partly yes, but only at certain price points. The unfortunate powers the consumer is contraction for the consumer in the availability of wines above sort of a certain price point in China at the moment.

So it hasn't been refilled or the gap being filled by European or British source country of origin brand portfolios, which I think is the question. Hopefully, I've answered it 2 answers -- that answers.

Paul Ashley Rayner

Thanks, Tim.

Kirsten Gray

The next question is from Mr. Stephen Mayne. Brands such as AAMI have ended their relationship with the Spring Racing Carnival due to growing concerns over animal cruelty and gambling. What is our position on this ESG issue? Looking at ESG more broadly, are we aware of any institutional investors who have sold out of TWE due to concerns about being associated with the alcohol industry. which has been accused of selling an addictive product which causes considerable harm?

Paul Ashley Rayner

Look, I might get Tim to comment, but I'm not aware of any institutional investors who have sold out of that to the issue that you've raised, and we're very happy with our sponsorship

that we've put in place in relation to the Spring Racing Carnival. I don't know if you want to add anything to that at all, Tim?

Timothy Ford

No. The only thing I'll add is that -- yes, we see this as -- when we're in a category like we are, and in a business like we are, we see it's a wonderful opportunity to lead because there is -- clearly, there's addictive -- so these are addictive products. Well, we think if it's consumed responsibly and we can provide the experiences and manage these the right way and build our brands around responsible marketing and responsible consumption and the work that we do across our ESG platform, it is a wonderful opportunity to lead in this space. And that's what we plan to do.

Kirsten Gray

The next question is from Mr. Stephen Mayne. Why do you put the name, firm and phone number of 15 analysts who cover TWE on your website? This is uncommon in Australia. Do you have approval from all these analysts to disclose their details and encourage shareholders to ring them? And why don't you make access easier by also including their e-mail addresses?

Paul Ashley Rayner

That's a good question. I assume we have the approval. I -- can you answer that?

Matthew John Young

I can answer that.

Timothy Ford

CFO can answer it.

Matthew John Young

I can confirm that we do have approval from each of them to include that. We hope that's fair transparency around those who cover where there is a wide range of analysts that cover our stock, and we think that's helpful for people to understand so that they can research views around our company.

Paul Ashley Rayner

Thanks, Matt.

Kirsten Gray

The next question is also from Mr. Mayne. Final question, and thanks for reading out previous questions. We've covered a lot of territory today, but less than 1% of your 88,000 shareholders watch the event live. I can't see any record of past AGMs on your website.

So would you undertake to publish a full transcript of today's proceedings on your website, along with an archive of the webcast, the likes of ASX, Woolworths, Transurban, Crown Resorts and Westpac have all embraced full transcripts in recent years.

Paul Ashley Rayner

Look, thanks again for your question, Mr. Mayne. Whilst it is not our intention to make a transcript of this meeting available, both my address and the CEO address are available online, both on the ASX platform and on our website.

And we'll also make a webcast of the full meeting available on our website following the conclusion of the meeting. But thanks for your questions, very much appreciate them.

Kirsten Gray

Next question is from Mr. Aston Aranson . In response to my prior question, the Chairman commented that the Board takes into account earnings per share in the remuneration incentive. This is not an official metric in the long-term incentive plan.

Additionally, the Chairman commented that the long-term incentive plan does not use EBIT. However, ROCE is measured using EBIT. Would it be unreasonable to include earnings per share growth as an official metric in the long-term incentive plan?

Paul Ashley Rayner

Yes. No. We don't use it in the -- what I said, I think, was earnings per share is an important measure, but it's not used in our long-term incentive plan. All I can say is that I have seen LTIPs have used earnings per share, and I think sometimes it is an effective measure.

Right now, we think return on capital employed is the right measure. You're right, it does encompass EBIT per se as one of the numbers that makes up return on capital employed. So all I can say is that you raise some good points, Mr. Aranson and we'll continue to look at them on an annual basis when we make sure we have a remuneration structure in place that's appropriate going forward.

Right now, I think ROCE is the right one to use. Earnings per share, though, is not a bad one. And we will think about whether it's appropriate. But right now, I think what we've got is fine.

Kirsten Gray

Next question is also from Mr. Aranson . The Chairman commented that the Board believes EBIT is an effective measure of company performance. Please, could the Chairman explain the independent reasons for excluding interests from management's performance metrics?

We're not saying dependent, I mean, without referring to the boards of other companies as our remuneration framework should have the purpose of increasing shareholder wealth over the long term, being the best possible remuneration framework achievable, not to simply match the average remuneration framework across the ASX, which in many cases can be inadequate.

Paul Ashley Rayner

Look, I think I've already answered that. If you're looking at return on capital employed, that ties into -- you've got to get an acceptable return on capital employed to cover your cost of capital, of which interest is a part of that. I think I've answered your question.

Kirsten Gray

The next question is from Mr. Stephen Mayne. The Endeavour demerger includes a very complex ongoing relationship with Woolworths. Do we have any legacy commercial ties with the old Foster's, even though it has subsequently been through 2 different owners?

Are there any cultural elements or business practices that point back to the Foster's era? For instance, do we send a Christmas wine hamper to Foster's executives, such as the legendary Trevor O'Hoy?

Paul Ashley Rayner

Look, I'm not aware of anything that dates back to the Foster's in terms of past practices. I mean when we spun the business off, we kicked off as a new company. I don't know if there's anything you want to add. I think you've already answered that question, Tim.

Timothy Ford

Yes. No. The only thing I will add is it's -- we had our 10th birthday celebrations this year, which did include inviting back some of our former directors of Treasury Wine Estates who

were previously on the Foster's Board. That's the link that we created as part of our 10th birthday celebration, but there's not a -- anything else.

Paul Ashley Rayner

Thanks, Tim.

Kirsten Gray

Next question is from Mr. Kevin Daly and Mrs. Jan Daly . What level of innovation is occurring at the agricultural and processing level?

Paul Ashley Rayner

Look, there's a lot of innovation happening because in order to combat what's happening in terms of climate change. I think we're very innovative in our growing processes. You will see that we're looking at drought-resistant rootstocks, new varieties of grape, more adaptive to the current climate scenarios.

We're looking at increased use of mulch to maintain moisture levels. Other things in our vineyards, such as increased use of canopies and frost fans and we just built a new dam in one of our major Barossa vineyards.

There's a huge amount of innovation that's going on, and we have a strong innovative team in all of our growing areas overseen our Head of Supply Chain. And so I can assure you that -- and we work also very closely with a number of outside tertiary institutions in relation to that as well.

Kirsten Gray

Mr. Chairman, that completes our questions from shareholders today.

Paul Ashley Rayner

Well, thank you very much. I think that concludes our discussion on the items of business. So look, thank you very much for all of your questions. There are a lot of them, and I really do appreciate it. And -- so the voting system will close shortly, 5 minutes after the conclusion of the meeting. If you have not done so already, please ensure that you cast your vote on all resolutions now.

Details of the proxies received on each of the resolutions will now be displayed on the screen. Based on the proxy results, it appears that each of the resolutions will pass. That now covers all of the business before the Annual General Meeting, and I'd like to thank you for your attendance and participation.

I hope this has been an opportunity for you to learn a little more about your company and its exciting future. As mentioned earlier, the final outcome of the polls will be announced by notice to the ASX later today and placed on the company's website. Although the business of the meeting has finished, there will now be a 5-minute period during which you may finalize your voting. Finalize your voting, and I declare that the meeting will close at the end of that period. Thank you very much for your attendance.

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