



18 October 2023

NZX/ASX Market Release

Notice of Meeting and update to remuneration practices

The a2 Milk Company (a2MC, the Company) is pleased to advise that it is today publishing its Notice of Meeting for the 2023 Annual Meeting of shareholders. The meeting will be held on Thursday, 16 November 2023 at 11:00am New Zealand daylight time at The Pullman in Auckland, New Zealand. All details regarding the meeting and resolutions are contained in the attached Notice of Meeting.

As demonstrated through its FY23 annual results, the Company is making significant progress delivering against its growth strategy and towards its medium-term financial and non-financial measures of success, aligned to its strategic goals for People, Planet, Consumers and Shareholders.

During FY23, to further align to recent practices for New Zealand and Australian executive remuneration, the Board reviewed the Company's remuneration practices. In particular, the Board revised the Company's short-term incentive (STI) plan structure to include a percentage of deferral for the Chief Executive Officer's (CEO) STI. The Board also committed to submitting the CEO's long-term incentive (LTI) grant for the FY24 LTI plan as a resolution on an advisory basis to the Annual Meeting in 2023.

The Company's LTI plan is designed to reward performance in support of the achievement of the Company's growth strategy by targeting profitable, long-term revenue and EPS growth, which requires appropriate investment. Performance rights issued under the LTI plan vest subject to achievement of both:

- EPS CAGR (compound annual growth in diluted earnings per ordinary share); and
- Revenue CAGR (compound annual growth in revenue).

The Board has selected this combined EPS and Revenue CAGR performance condition to ensure the business remains focused on fundamental sales and profit growth over time. This is aligned to the Company's growth strategy as is particularly relevant given the dynamic market conditions in which the Company operates.

In terms of the FY24 LTI plan performance hurdles, as outlined in the Notice of Meeting:

- The FY24 LTI grant, and the EPS CAGR and Revenue CAGR performance hurdles, have been determined having regard to the Company's growth strategy and associated medium-term financial ambition to grow revenue to NZ\$2 billion over 5 or more years from FY21 and to target EBITDA margins in the "teens" with year-on-year improvements.
- The Board considers the performance hurdles sufficiently challenging to align with shareholder value creation, but still being motivating for, and viewed as achievable by, senior executives and managers invited to participate in the plan. Further details are provided in the Notice of Meeting.
- The high end of the Revenue CAGR hurdles would deliver revenue over NZ\$2 billion by FY26, exceeding the Company's growth strategy of achieving the same within at least 5 years.

- The EPS CAGR is above the high end of the Revenue CAGR range to incentivise and promote margin accretion over the term of the plan.
- Achieving such performance hurdles would require significant market share gains in the Company's core infant formula milk business in the China market which is currently in double-digit market value and volume decline, as well as a significant improvement in group profitability.

The Board looks forward to meeting with shareholders in November at the Annual Meeting.

Authorised for release by the Board of Directors

David Hearn
Chairman
The a2 Milk Company Limited

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