



Ansell Limited
A.B.N. 89 004 085 330
Level 3, 678 Victoria Street
Richmond, Victoria 3121, Australia
GPO Box 772H Melbourne
Victoria 3001, Australia
Telephone (+613) 9270 7270
Facsimile (+613) 9270 7300
www.ansell.com

12 October 2016

Dear Fellow Shareholders

OUR EXECUTIVE REMUNERATION FRAMEWORK – SOME CLARIFICATIONS

I am writing to you, our shareholders, on behalf of your Board, to clarify a few issues that have been raised regarding the remuneration related resolutions to be considered at our Annual General Meeting on 19 October.

Following the release of our Notice of Meeting and Remuneration Report we have held a number of discussions with shareholders and proxy advisers and I am pleased to say there has been broad support for our new remuneration framework. Shareholder engagement and transparency of communication is an objective of the Board and, as this year marks the launch of our new remuneration framework, I wanted to make sure all shareholders had the benefit of clarifications we have provided on a few points during the course of these discussions.

First, a note on proxy advisers. In Australia, a number of large investors purchase reports from proxy advisers to assist them in deciding how to vote in relation to the large number of resolutions to be considered at ASX-listed company AGMs each year. Proxy advisers assess the resolutions, normally against a standard set of guidelines the proxy advisers have developed, and make a recommendation whether to vote in favour of or against each resolution. As far as we are aware, all proxy advisers have recommended voting 'in favour' of our remuneration proposals at this year's AGM. The proxy advisers also provide additional commentary and opinion for shareholders who buy their research to consider. In many cases the commentary notes variances of Ansell practice to standard guidelines which do not take account of the specific's of the Ansell business and the factors the Board considers in setting our remuneration framework.

In that light, I would like to provide some additional clarification for you, our shareholders on the following:

➤ **How do we set remuneration?**

Ansell, while ASX-listed, generally operates outside of Australia and none of our Executive Leadership Team is resident in Australia. In order to attract and to keep good people, we need to pay our executives remuneration packages that are competitive in the regions in which they live and work.

We seek information from external parties to help us set those salaries. We do not use the remuneration of ASX peers who have all, or the vast majority, of their operations and executives in Australia to determine the remuneration of our executives who live and work outside of Australia. Australian remuneration is not

For personal use only

reflective of the labour markets where we are competing for senior talent. Our shareholders should look to our global competitors as a comparison, rather than domestic Australian companies.

We also remind our shareholders that we must pay our people in the currencies of the regions in which they live and work and as a result, we have to translate these amounts into our reporting currencies every year. Some commentators have, in the past, misinterpreted these changes in exchange rates as signifying pay rises (when in fact the underlying amounts we pay our people have not changed).

➤ **Why we have chosen to set our incentive targets based on constant currency?**

Ansell's operations occur in many countries and in many currencies. Our investors understand this and invest in Ansell as an international company with its risk/return profile, including exposure to gains and losses on foreign exchange and exposure to the economies of many countries across regions and business lines.

Ansell has, for some time, had a policy on currency hedging which provides us with some protection against currency movements, but also some exposure. The Board does not believe that it is fair, given the way we operate the business, to reward or penalise management for gains or losses on foreign exchange beyond their control or our policy, and which are often accounting gains or losses of translating amounts back to our reporting currency (and not 'real' gains or losses).

Management alignment with shareholders comes from their reward being provided in equity, which is now 100% of our long term incentive and up to 50% of our short term incentives. This exposes the value of their rewards to the market's view of our performance.

➤ **Board Discretion and transparency**

The Board retains discretion to adjust incentives, both in favour and against management, in appropriate circumstances.

The Board strongly refutes any implication that it is in some way inappropriate for the Board to have or exercise discretion in relation to remuneration issues. Discretion in these types of plans is critical to avoid providing executives with a windfall gain or unfair penalty for things that happen during the relevant performance periods that we consider to be beyond their reasonable control or foresight. We do not intend exercising discretion every time circumstances change. However, the Board feels that the ability to make adjustments is important to make sure executive rewards reflect effort and not just circumstance.

Like all of the powers reposed in the Board by shareholders, we will act in an informed manner exercising our combined judgment in the best interests of Ansell. We are committed to full transparency and we will report on the exercise of our discretion in a timely manner when a relevant event arises.

To illustrate the Board's exercise of discretion, we considered the:

For personal use only

➤ **Inclusion of Onguard Gain on Sale in Incentive Outcomes**

The sale of our Onguard Footwear Business created a moderate gain to EBIT in F'16 and in this case the Board did not exercise its discretion to exclude this benefit from incentive outcomes. In arriving at this conclusion the Board judged that this was not a windfall gain achieved from circumstances outside management control. Instead the gain represented an increase in value of the business through commercial success over the period of Ansell ownership since F'13 and then a capital management decision taken in the interests of Ansell shareholders to divest the business to a new owner at a premium to the Board's assessment of its ongoing value as part of Ansell.

➤ **Mandatory shareholding requirements**

We have reduced our mandatory shareholding requirements for executives this year. That is the voluntary requirement we have adopted for our executives to hold a significant value of Ansell shares in their own names (i.e. not equity under our incentive programs).

Being an early adopter of such requirements, we set our bar very high. Having considered that we do not want our executives to be 'overweight' in Ansell shares, as this may lead them to be risk averse over time as their shareholdings build, we lowered our market leading requirements a little this year (which remain significantly higher than the equivalent arrangements adopted by many of our peers). The CEO is now required to hold 3 x base salary (previously 4 x base salary) and the Executive Leadership Team is required to hold 1 x base salary (previously 2 x base salary).

These revised requirements still require significant individual shareholdings of our executives – as an example, the CEO is required to hold in excess of US\$3 million of his own wealth in Ansell shares.

Ansell continues to be committed to transparent disclosure to our shareholders. We acknowledge that we are unlikely to ever satisfy all of our shareholders in relation to remuneration issues. However, remunerating our executive team is a responsibility of the Board and one we discharge on an informed basis and with due care and diligence.

I ask for your support for all of our remuneration proposals at the AGM.

Yours faithfully



Glenn LL Barnes
Chairman