Neo Announces Favourable Recommendations from Leading Proxy Advisors and Supplements Circular Disclosure

written by Raj Shah | June 6, 2024

June 6, 2024 (Source) – Neo Performance Materials Inc. ("**Neo**" or the "**Company**") (TSX: NEO) announced today that leading proxy advisory firms Institutional Shareholder Services ("**ISS**") and Glass Lewis have issued reports recommending that Neo shareholders vote FOR the approval of amendments to the Company's Omnibus Long-Term Incentive Plan at Neo's upcoming annual general & special meeting of shareholders of Neo to be held on June 19, 2024 (the "**Meeting**").

Neo is also providing additional disclosure to supplement its management information circular dated May 10, 2024 (the "**Circular**") for the Meeting. Shareholders are encouraged to read the Circular, which is available on www.sedarplus.ca as well as at the Investor section of the Company's website at https://www.neomaterials.com/investors, in conjunction with this news release.

Shareholders are reminded to Vote today FOR all Resolutions at the Meeting

Every shareholder's vote is important regardless of the number of shares a shareholder owns. Neo encourages all shareholders to submit their proxy or voting instruction form, so that their shares can be voted at the Meeting in accordance with such shareholder's instructions. To be counted at the Meeting, votes must be received by Neo's

transfer agent, Computershare Trust Company of Canada, no later than 4:00 p.m. (Toronto time) on June 17, 2024, or, if the Meeting is adjourned or postponed, not later than 48 hours, excluding Saturdays, Sundays or holidays, preceding the time of such adjourned or postponed Meeting, or in either case by such later date and time as the Board may determine in its sole discretion.

Shareholder Questions and Assistance

If Shareholders have any questions or require more information with respect to the procedures for voting at the Meeting, please contact the Company's proxy solicitation agent, Kingsdale Advisors, by phone or text at 1-800-285-8968 toll free in North America or 1-437-561-5021 outside of North America (text and call enabled outside North America), or by email at contactus@kingsdaleadvisors.com.

Supplemental Disclosure

Neo wishes to provide the following additional disclosure to supplement the corresponding disclosure in the Circular. Capitalized terms not otherwise defined below shall have the meanings ascribed to such terms in the Circular.

Elements of Compensation of Named Executive Officers

In March 2021, the Corporation engaged Korn Ferry, as executive compensation advisor, to provide expertise and advice in connection with a comprehensive review of the compensation of the Corporation's executives, including the Named Executive Officers. As part of its engagement, Korn Ferry reviewed a peer group of 15 companies, the assessment of the Corporation's positioning within the peer group in terms of compensation levels and mix and a review of the Corporation's compensation

programs. The peer group is comprised of publicly traded companies in Canada, the United States, the United Kingdom and Switzerland (recognizing the absence of direct comparators in Canada) having a revenue range both above and below the Corporation's. Some of the other factors considered in the choice of peer group were being industrial-focused and having a global footprint. The peer group used for benchmarking executive compensation includes: Quaker Chemical Corporation (NYSE); Ingevity Corporation (NYSE); Innospec Inc. (NASDAQ); CMC Materials, Inc. (NASDAQ); PQ Group Holdings Inc. (NYSE); Ferro Corporation (NYSE); GCP Applied Technologies Inc. (NYSE); Elementis plc (LSE); Gurit Holding AG (SWX); Victrex plc (LSE); LSB Industries, Inc. (NYSE); Haynes International, Inc.; Livent Corporation (NYSE); DMC Global Inc. (NASDAQ); and 5N Plus Inc. (TSX).

The Corporation believes that a substantial portion of the total compensation for the Named Executive Officers should be variable and tied to the Corporation's performance to align their compensation interests with the achievement of the Corporation's business objectives and the long-term investment interests of the Corporation's shareholders. At the same time, the Corporation strives to attract and retain high caliber executives through the measured use of competitive fixed compensation. The Corporation's program of both fixed and at risk compensation is offered at levels that the Corporations believes are competitive within its industry and was appropriate for 2023.

2023 Annual Incentive Program Awards

Metrics and Goals

In March 2023, the Board approved the 2023 Annual Incentive Plan Goals consisting of the following three metrics for both

consolidated business and business segment: Health, Environment, Safety and Security ("**HESS**"); Adjusted EBITDA vs. Budget; and Strategic Priorities. Each of these metrics is discussed in more detail below:

HESS – 10%. The components of this metric will be the average of lost time incident rate ("**LTIR**") and total reportable incident rate ("**TRIR**"). For the purposes of calculating these rates the number of incidents are averaged against total performance hours. The 2023 LTIR goal was 0.34 and the actual rate was 0.28; and the TRIR goal was 0.57 with an achievement of 0.39;

Adjusted EBITDA vs. Budget – 80%. Adjusted EBITDA is defined in the 2023 budget as Adjusted EBITDA plus non-cash items, one time and non-recurring items and other selected items, the disclosure of which would be seriously prejudicial to Neo's interests as the underlying adjustments include commercially and competitively sensitive information and therefore neither target Adjusted EBITDA for the 2023 budget nor the underlying adjustments are being disclosed in reliance on the applicable exemption. Subject to the above-noted adjustments, Adjusted EBITDA for purposes of the 2023 budget and determining Annual Incentive Program Awards is otherwise computed in a manner consistent with Adjusted EBITDA as reported in Neo's financial results for fiscal 2023[1]; and

Strategic Priorities – 10%. A subjective measure of achievement against strategic objectives reviewed by the Board in the first quarter of the year.

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[1] Neo reports non-IFRS measures such as "Adjusted EBITDA". Please see information on this (including for a reconciliation of "Adjusted EBITDA" as reported in Neo's financial results for fiscal 2023) and other non-IFRS measures in the "Non-IFRS Financial Measures" section of Neo's management's discussion and analysis for the fiscal year ended December 31, 2023, which is available on Neo's website at www.neomaterials.com and on SEDAR+ at www.sedarplus.ca.

The Board approved the following weightings for the Named Executive Officers:

	Consolidated Business	**Business Segment / Department**	**Personal Performance**	**Total**
Chief Executive Officer / Chief Financial Officer / Chief Strategy Officer	90 %	–	10 %	100 %
Business Segment Executive Vice President	45 %	45 %	10 %	100 %

The annual incentive amount for each of the Named Executive Officers (other than the Chief Executive Officer) is calculated as follows:

	Base Salary	X	Annual Incentive Target Percentage of Base Salary(60 – 125%)	X	2023 Performance Factor	=	2023 Annual Incentive	

Fifty percent of the annual incentive target of the Chief Executive Officer is calculated as set out above and the balance of the annual incentive target is based on the Board's assessment of progress towards various strategic objectives.

The 2023 Performance Factor for the Chief Executive Officer, the Chief Financial Officer and the Chief Strategy Officer (collectively, the "**C-Suite**") is the sum of the weighted achievement: (i) against the 2023 Annual Incentive Plan goals (with a weighting of 90%) and; (ii) personal performance (with a weighting of 10%). The achievement on the three metrics of the 2023 Annual Incentive Plan goals are calculated by applying the percentage of target achievement for each metric against the applicable annual incentive slope, then multiplying that result by the metric weighting and then aggregating the three components. The Performance Factor for the remaining two Named Executive Officers is calculated in a similar manner except that the weighting for Annual Incentive Plan goals is weighted 45% at the Consolidated Business level and 45% at the Business Unit Level.

Annual Incentive Plan goals, at the Consolidated Business and Business Segment levels, is comprised of the following factors:

Metric	Weight	Threshold to Target	Target	Target to Superior	2023 Achievement
HESS	10 %	Payout determined based upon results between 80 to 99% of target.	100 %	Payout determined based upon results between 101 to 120% of target.	Achieved superior target

Adjusted EBITDA vs. Budget	80 %	Payout determined based upon results between 80 to 97% of target.	Payout determined based upon results between 97 to103% of target.	Payout determined based upon results between 103 to 120% of target.	Achieved between threshold and target
Strategic Priorities	10 %	Payout determined based on achievement between 80% to 99% of target.	100 %	Payout determined based on achievement between 101 and 120% of target.	Achieved between threshold and target

For fiscal 2023, the Consolidated Business Performance Factor for the C-Suite was calculated to be 65.4% based on a weighted annual incentive goals payout of 55.4% (being 61.5% annual incentive plan goal metric x 90%) plus 10% weighting for personal performance achievement. The same calculation principles were applied in fiscal 2022 and 2021 and the Consolidated Business Performance Factor for the C-Suite was calculated to be 173.8% and 173.0%, respectively, subject to certain additional adjustments.

For fiscal 2023, the Performance Factor for Jeff Hogan was calculated to be 45.6% based on a weighted Consolidated Business Performance Factor of 27.68% (being 61.5% annual incentive goal metric x 45%) plus Business Unit Performance Factor of 7.92% (being 17.6% annual incentive goal metric x 45%) plus 10% weighting for personal performance achievement.

For fiscal 2023, the Performance Factor for Greg Kroll was calculated to be 56.4% based on a weighted Consolidated Business

Performance Factor of 27.68% (being 61.5% annual incentive goal metric x 45%) plus weight Business Unit Performance Factor of 18.67% (being 41.5% annual incentive goal metric x 45%) plus 10% weighting for personal performance achievement.

The Named Executive Officers annual incentive amount is calculated below:

	Base Salary[(1)]	**Annual Incentive Target Percentage**	**2023 Performance Factor**	**2023 Annual Incentive Amount**[(1)]
RahimSuleman[(2)]	551,975	125 %	65.4 %	428,247[(3)]
Jonathan Baksh[(4)]	163,392	60 %	65.4 %	63,988
Kevin Morris	447,851	65 %	65.4 %	190,315
Jeff Hogan	387,495	60 %	45.6 %	106,040
Greg Kroll	393,300	60 %	56.4 %	133,010
Constantine EKarayannopoulos[(5)]	272,725	85 %	65.4 %	149,878

Notes	
(1)	The Corporation reports its financial statements in U.S. dollars and the table above is shown in U.S. dollars. Mr. Morris, Mr. Hogan and Mr. Kroll are paid in U.S. dollars. Compensation for Messrs. Suleman, Baksh and Karayannopoulos is made in Canadian dollars but has been converted for the table above at the Bank of Canada average annual exchange rate for the year ended December 31, 2023 of $1.00 = C$1.3497, which accounts for the rounding errors.

(2)	Mr. Suleman was Executive Vice President and Chief Financial Officer until December 31, 2022 and was appointed President and Interim Chief Financial Officer on January 1, 2023. On July 7, 2023, Mr. Suleman was appointed President & Chief Executive Officer.
(3)	Mr. Suleman's annual incentive payment was calculated as follows as follows: for the 6.15 months he was President (base salary at that time x 65% annual incentive target x 2023 Consolidated Business Performance Factor) and as to the 5.85 months he was Chief Executive Officer (base salary at that time x 62.5% (the annual incentive target) x 2023 Consolidated Business Performance Factor) *plus* (base salary at that time x 62.5%. (the annual incentive target) x achievement percentage for Board assessed strategic initiatives).
(4)	Mr. Baksh was appointed Executive Vice President and Chief Financial Officer on June 19, 2023.
(5)	Mr. Karayannopoulos retired from the Company on July 7, 2023.

Cautionary Statements Regarding Forward Looking Statements

This news release may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. Generally, but not always, forward-looking information and statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negative connotation thereof or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof. Specific forward-looking statements in this news release include, but are not limited to, the Meeting and matters

relating thereto. In making the forward-looking information in this news release, the Company has applied certain factors and assumptions that are based on its current beliefs as well as assumptions made by and information currently available to the Company. Although the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking information in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking information.

Readers are cautioned not to place undue reliance on forward-looking information. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by law. For more information on Neo, investors should review Neo's continuous disclosure filings that are available under Neo's profile at www.sedarplus.ca.

About Neo Performance Materials

Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. Neo's advanced industrial materials – magnetic powders and magnets, specialty chemicals, metals, and alloys – are critical to the performance of many everyday products and emerging technologies. Neo's products help to deliver the technologies of tomorrow to consumers today. The business of Neo is organized along three segments: Magnequench, Chemicals & Oxides and Rare Metals. Neo is headquartered in Toronto, Ontario, Canada; with corporate offices in Greenwood Village, Colorado, United States; Singapore; and Beijing, China. Neo has a global platform that includes 10 manufacturing facilities located in China, the

United States, Germany, Canada, Estonia, Thailand and the United Kingdom, as well as one dedicated research and development centre in Singapore. For more information, please visit www.neomaterials.com.

SOURCE Neo Performance Materials, Inc.

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