



## Voting Intentions – Accent Group Limited 2021 AGM

ASX Code	AX1
Meeting Time/Date	10am, Friday 19 November 2021
Type of Meeting	Virtual at <a href="https://web.lumiagm.com/312655463">https://web.lumiagm.com/312655463</a>
Monitor	Chris Lobb assisted by John Whittington
Pre AGM-Meeting	Yes, with Chair David Gordon, CFOO/CoSec Matthew Durbin

### Proposed Voting Summary

2	Adoption of Remuneration Report	Against
3a	Re-election of Ms Donna Player as a Director	For
3b	Election of Mr Brett Blundy as a Director	For
4	Grant of Performance Rights to a Director and related party, Mr Daniel Agostinelli (CEO/Managing Director)	Against

### Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	76.9	55.5	53.9	44.0	29.2
Statutory EPS (cents)	14.21	10.28	10.02	8.23	5.54
Dividend per Share (cents)	11.25	9.25	8.25	6.75	6.0
Share Price at End of FY (\$)	2.76	1.47	1.39	1.65	0.86
Statutory CEO Remuneration (\$m)	3.824	3.221	3.191	2.283	2.204
Total Shareholder Return (%)	95	12	(11)	100	(35)

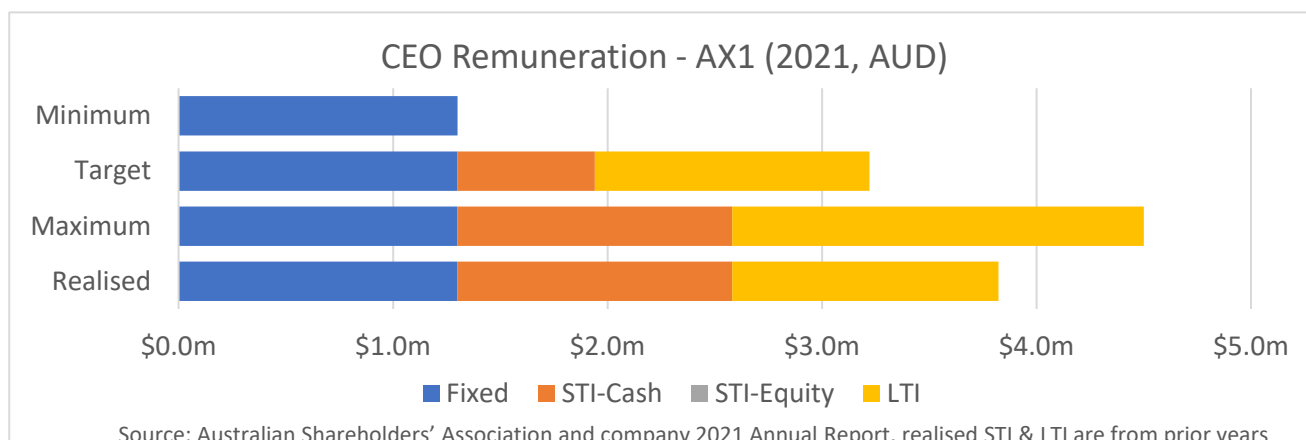
Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

### Summary of Historical ASA Issues with the Company

This is the first year ASA have undertaken a detailed engagement with the company. It did however attend the 2020 AGM.

**Items for Voting**

Item 2	Adoption of Remuneration Report
ASA Vote	<b>Against</b>



Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

**Positives**

- CEO’s target and maximum opportunity of each component is clearly disclosed.
- Majority of short-term-incentives (STIs) are based on quantifiable and disclosed performance metrics and the board retains a discretion to reduce the award if circumstances warrant it.
- Clear disclosure is provided for all key management personnel (KMP) performance hurdles and the weightings applied for major components i.e., financial – 80% and non-financial 20%.
- Long-term incentives (LTI) hurdles are now measured a minimum of four years after issue.
- No retesting of performance hurdles is allowed.
- KPI hurdles are based on earnings per share (EPS) statutory earnings adjusted for any government Covid receipts.
- No termination payments exceed 12 months fixed pay.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

**Areas for Improvement**

- Currently all STIs are paid 100% in cash. ASA guidelines are that at least 50% of STIs should be paid in equity with a minimum 12 month holding lock.
- The STI for the CEO is assessed at 100% of adjusted base salary and for the last 4 years has been paid to the 100% level, which raises questions as to the targets set to achieve the STI.
- LTI is based on one hurdle (EPS) whereas we believe hurdles should be based on at least two hurdles, one of which is total shareholder return (TSR).
- LTI can pay out even if absolute TSR is negative.
- No table of actual remuneration.
- Based on to Godfrey Remuneration Group benchmarks, the total target CEO remuneration exceeds the 75<sup>th</sup> percentile of similar sized (\$1-2bn market capitalisation) companies (\$2.277m) by a considerable amount.

**Conclusion on Remuneration**

In justifying its current remuneration policy, the company points to its strong performance in a number of metrics and that previous variations to this policy had not been successful in driving

management performance. It is also noted the Directors and Executives undertook a pay freeze for FY21 due to Covid uncertainties.

However, this salary freeze has somewhat now been “reversed” with 17.2% and 18.2% increases in fixed pay for FY22 for the CEO and CFOO respectively and an 8% increase for NED’s fees. This seems excessive given the on-going challenges being faced by the community due to Covid 19. In addition, the CEO and CFOO have had an additional STI cash bonus made available in FY22 based on the successful integration and execution of the Glue Store acquisition. This again appears generous for what would be considered “business as usual” aspects for a growth orientated company.

Therefore, on balance we cannot support the company’s remuneration outcomes in its current form and intend to vote undirected proxies against the remuneration report.

Item 3a	Re-election of Ms Donna Player as a Director
ASA Vote	For

Ms Player was first appointed a non-executive director in 2017 and is considered independent. She has 35 years’ experience in the retail sector. Donna is a member of the People and Remuneration Committee, as well as being a non-executive director of Baby Bunting Group Limited (ASX code “BBN”) and Merchandise Director of Camilla Australia

She has adequate skin in the game with a holding of 50,000 shares. Her experience, particularly in the retail and fashion industries is appropriate for the board and we do not consider her workload excessive. She attended all Board and Committee meetings during the year. We hope she can draw on her considerable experience to further develop the company’s remuneration practices as a member of the relevant board committee responsible for overseeing this area.

For these reasons, the ASA proposes to support her re-election

Item 3b	Election of Mr Brett Blundy as a Director
ASA Vote	For

Mr Blundy as a non-executive director first joined the board in December 2017, resigning in May 2020. He subsequently re-joined the board in April of this year, at its request, given his major shareholding and vast retail experience.

Brett is one of Australia’s best known and most successful retailers and entrepreneurs. He is Chairman and founder of BBRC – a private investment group with diverse global interests.

With 98.5 million shares he is the largest single shareholder in the company, equating to 18% of shares on issue. Given this substantial holding he is not considered independent. We note he has previously worked with the CEO in other retail businesses and that he has appointed an alternate director which indicates he may not be able to attend all board meetings personally.

Given his substantial experience in growing retail businesses, he offers considerable expertise to the company and the ASA proposes to support his election.

Item 4	Approval of LTI grant to CEO/Managing Director Daniel Agostinelli
ASA Vote	<b>Against</b>

Whilst this proposed grant relates to the current FY22 and the subsequent three years when assessing satisfaction of the vesting conditions, please refer to the assessment under item 2 relating to remuneration generally.

As detailed in the Notice of Meeting some variation has been inserted into the vesting conditions applying to this issue, from that which applied to last year's issuance to the CEO. These being a 1% increase in the required compounding EPS measure and a 12-month holding lock on any shares issued under the Plan. However, ASA are of the view these latest changes are not material enough to those remuneration issues identified under item 2 to support this resolution.

### Monitor Shareholding

*The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.*

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