Australian Shareholders' Association

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Company	Accent Group
Code	AX1
Meeting	AGM
Date	Friday 20 November 2020
Venue	Online on Lumi platform
Monitor	John Whittington (proxy collector)

Number attendees at meeting	Unknown
Number of holdings represented by ASA	63
Value of proxies	$2.521m
Number of shares represented by ASA	1.416m
Market capitalisation	$965m
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	No

We're Great, We Got a Second Strike, and We'd Do it Again

Accent Group is a retailer of performance and lifestyle footwear in Australia and New Zealand with over 500 stores across 14 different retail banners, and a has exclusive distribution rights for 12 international bands across Australia and New Zealand. Their brands include Sketchers, Platypus, Hype DC, CAT, Merrell, Dr Martens, Vans, Pivot, The Athlete's Foot, Sperry, Timberland, Stance, Saucony, Subtype, Trybe, and Stylerunner.

Despite being impacted by significant store closures during the year due to COVID-19 lockdowns, Accent had a record year with both revenue and net profit after tax up 4%, dividends up 12%, and operating cash flow 2.5 times that of last year. Cash reserves were up 50% with debt unchanged. Much of this success was due to transitioning to digital operation through the lockdowns, using existing stores shut to the public as distribution/fulfilment centres. Digital sales were up 69% for the full year.

The addresses from the Chair and CEO were delivered with confidence and belief, and gave a good overview of operations and strategy. However, being audio only with slides, they lacked engagement. The message received by your ASA representative was that they had considerable retail competence and a lot of self-confidence.

A number of questions were asked by shareholders covering M&A activity, paying off long term debt, expansion outside footwear, fully paying employees during lockdown, and rental discounts. All were answered confidently by the chair.

The ASA asked about how the company is managing the risk of modern slavery to its social licence to operate (not much concrete said other than policy was due out within days) and its decision to pay significant incentives to management even though it received significant government wage subsidies (deemed it appropriate given performance and returns to shareholders). We also asked about diversity of the board which has only one female whereas the company is 60% female ("diversity is the cornerstone of the business", recent [male] appointment was "best person for the job") and the high pay of the CEO which is well over the 75th percentile of similar companies ("he is delivering spectacular performance").

When it was apparent that there was a very high vote against the remuneration report, making it a second strike, we asked if the Chair knew the reason for these votes. The Chair indicated that proxy advisors recommended against due to the wage subsidy payments (ie JobKeeper) received but that most votes not driven by proxy advisors were supportive. He also made it clear that, if they had their time again, they would make the same decision.

When it became apparent that the directors up for election were not speaking to their election we asked if they could. This question/comment was never presented to the meeting, and along with the editing of key parts of some of our questions, this highlights the problem of virtual meetings which can become echo chambers for the board rather than opportunities for genuine shareholder engagement.

The ASA supported the directors up for election and the proposed changes to the Constitution but against the remuneration report and the grant of performance rights to the CEO. Overall voting was varied with 54% against the remuneration report, 31% against the new director Joshua Lowcock, 13% against the amendments to the constitution, but 99% supporting director Michael Hapgood and 98% supporting the CEO's performance rights. Given that a second strike occurred there was an obligatory motion to spill the board, but this was comfortably (96%) rejected.

Following the meeting the contacted the ASA and apologised for not asking the directors to speak to their election. It also indicated that this would be standard process from next year.