



Company	Endeavour Group
Code	EDV
Meeting	AGM
Date	21 October 2021
Venue	Online
Monitors	Julieanne Mills & Don Adams

Number attendees at meeting	202 shareholders plus 88 guests
Number of holdings represented by ASA	397
Value of proxies	\$7.5m
Number of shares represented by ASA	1.13m (equivalent to less than 0.1%)
Market capitalisation	\$12.16bn – on day of meeting
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chairman- Peter Hearl, INED-Catherine West, Sean O'Sullivan- Investor Relations

Pokies a stain on an otherwise successful business model.

The AGM opened with Endeavour’s feel-good advertisement on sustainability, responsibility and reconciliation. While perhaps not obvious to the board many might see irony in the wine stain logo.

The Chairman, Peter Hearl’s address focused on the board and management’s establishment as a ASX 50 listed company, with board governance frameworks, strategic direction, remuneration frameworks now in place and a sustainability strategy that was released just before the AGM.

Alcohol and gambling are the core of the business. The “Creating a more sociable future together” purpose statement highlights the positives of this business. Endeavour sees itself as a leader in the responsible service of alcohol and gambling. It is implementing facial recognition in some gambling rooms and offers voluntary pre-commitments to patrons of gambling. Light and low alcohol demand is growing rapidly, and they are promoting it. There is 1-800 -RESPECT training for all employees.

In relation to potential risk for shareholders, ASA asked a number of times for details on the percentage of hotel revenue that Pokies represented, however Endeavour will not disclose the figures for “commercial reasons”. In the board’s view, anyone who questions their gambling management is seen as a prohibitionist. This black and white view clearly doesn’t allow an open

discussion. It has been disappointing to find a board that is clearly defensive and not transparent when it comes to their gambling revenue.

The sustainability strategy is broken down into people, planet, and responsibility and community. It is early days but there are positives with the meaningful UN sustainability goals and a commitment to the Paris Agreement included in their strategy. A commitment to 100% renewable energy by 2030 is reasonable as energy use is significant.

They are developing a Reconciliation Action Plan which will benefit from the recommendations of the independent review into Dan Murphy's Darwin, and from Endeavour's commitment to an open dialogue with indigenous communities in the Northern Territory. They have already transformed their planning and development frameworks with more board oversight.

The first Sustainability Report will be released after the financial year, hopefully before the AGM and with time to respond.

CEO Steve Donohue's address talked about the impact of COVID, with huge growth in retail and online sales and a fall across hotels as lockdowns hit.

Questions were tightly controlled by the chairman, limited to 2 per item and restricted to 513 characters which made any complex questions difficult. Stephen Mayne managed to maximise the questions highlighting concerns around pokies, and the \$10 million in political donations by ALH to the Victorian Labour Party. There is no political donations policy, but still within the law. It was confirmed by the auditor that pokies tax of \$450m was not included in revenue and this was allowed by reporting standards.

With many gambling rooms in Victoria operating 20 hrs/day, Mr Hearl was asked if he had been in one in the early hours of the morning. Mr Mayne also asked, how does the company manage responsibility ahead of profits. Steve Donohue replied that it was Endeavour's competitive advantage to be responsible. Even with 20% of LTIs aligned to "Leading responsibly" it is hard to see how this will work.

Stephen Mayne also asked questions about Director, Bruce Mathieson Snr's family conflicts, with competing entities in the pokies pubs in Victoria owned by his 2 daughters, and an investment in Lark Brewery, a supplier to the company. The company response was that they had policies to manage conflicts and Bruce did not receive preferential treatment.

The ASA asked how the CEO's remuneration was justified by the board when it was more than 110 times the average frontline workers hourly rate of \$25-30/hr. Mr Hearl replied that in the US it was many hundred times and they had compared against comparator groups on the ASX.

Peter Hearl and Hollie Kramer, the two directors up for election spoke to the meeting, Hollie spoke about her knowledge of the business as a director of Woolworths. Peter mentioned his previous experience in customer facing businesses and how Endeavour was "part of the fabric of Australian society".

All resolutions were supported with 97.84- 99.86% votes.

The CEO and Chairman's address along with the webcast can be found here.

<https://www.endeavourgroup.com.au/investor-relations>

Can the pokies business be responsibly managed (whatever that means) or make a positive impact on the community and still make these profits for the company? It is hard to see how gambling rooms that are open 20 hours a day can be responsible, but they are probably very profitable. Endeavour (as they say) is acting within the law and when companies and governments are all making money out of pokies there is little incentive to change. In my opinion, there is a significant risk attached to pokies for the company reputationally, and financially, and it is just a matter of time. The other side of the business is a very good story. As a shareholder I am conflicted?

As the AGM is taking place in Gambling Awareness Week, I thought shareholders may be interested in this link to an ABC Radio Melbourne story. The gambling reform alliance is calling for all poker machines in Victoria to turn off between 2am and 6am. It presents the other side of the story.

<https://www.abc.net.au/radio/melbourne/programs/theconversationhour/the-conversation-hour/13584696>