



So much potential but yet to deliver

Company/ASX Code	Link Group (LNK)
AGM date	Tuesday 27 October 2020
Time and location	11.30 AM AEDT Virtual AGM https://agmlive.link/link20
Registry	Link
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Allan Goldin assisted by Peter Gregory
Pre AGM Meeting?	Yes with LINK Chair Michael Carapiet, Sally Pitkin Chair of Human Resources and Remuneration, Fiona Trafford-Walker Chair of the Audit Committee and Craig Curry Head of Investor Relations

ASA WILL BE ATTENDING THE VIRTUAL AGM, VOTING ALL PROXIES WE RECEIVE AND ASKING QUESTIONS JUAST AS AT A NORMAL AGM.

Please note any potential conflict as follows: The individuals or their associates involved in the preparation of this voting intention have no shareholding in this company.

	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

As this Voting Intention is being uploaded to our website Link Group has received a conditional takeover offer. Since we do not know any details it has not been included in this report.

First let's look at the good parts of the Link Group's last financial year;

Covid -19 was a real test of Link Administration primary function. They facilitated over 1.2 million transactions for the Early Release of Super (ERS) scheme in Australia, of which over 96% were processed and paid seamlessly most within the desired five-day timeframe. While at the same time with most of the team working remotely with 750 call centre specialists, managing the call centres of 26 superannuation funds, and attended to approximately 1.4 million calls over the pandemic period.

The Company has a great sustainably report and is obviously very concerned about data protection and treating everyone fairly which is of vital importance

FY20 was Link Group's first full year with a 44% stake in PEXA which provides exposure to the property market, Australia's single largest asset class. PEXA's performance in FY2020 was driven by strong uptake across multiple states, with national transfer market penetration at 77% in June

2020. Taking a big picture view ASA sees PEXA accounted for approximately 5.5% of all Link Group revenue and was responsible for 17% of the Group Operating NPATA.

Now let's deal with the not so good. A statutory \$114 million loss, EPS of -21.8 cents and a TSR of -16% lead the list. Unquestioningly part of this was due to the effect of Covid but not all, as can be seen from the chart below, this is just a continuation of the loss shareholders have suffered since Link listed.

The gross loss on NPAT was, as the Company points out, in part due to the 2019 result being higher than normal due to the PEXA revaluation and the profit on the CPCS sale. These two items total \$228 Million. The rest we will come to..

Link was created through a variety of acquisitions and has continued this same mode of operation when expanding overseas particularly to the UK, and that is where we see the next big loss in the NPAT an impairment of \$107 in in Group's Corporate Markets business in the UK and Channel Islands, mainly because of the implications of Brexit and Covid-19. The problem is not just apparent in the operations that Link control. Last financial year Link acquired 13.1% of Liveris a new cloud based platform for \$40 million, this year based on an independent expert valuation it is now in the books for less than half of that at \$16.7 million the culprit Covid.

Despite being battered by their overseas purchases. The Group has spent a total of \$75 million that provides them 17.4% of the UK's Smart Pension Limited (Smart) and most importantly ownership of Smart Pension Administration Limited. Which gives them control of doing all Smart's back office on a very good platform that they are allowed to utilise to gain further administration work for unrelated firms. As back office is the heart of the Australian operations this type of acquisition can make a great deal of sense provided that Smart performs well.

Unfortunately with the exception of PEXA which is looking like a very valuable business, Link Group has for years been viewed as a great business which unfortunately to date has not delivered the goods.

Putting aside COVID- 19 the Company says the two biggest contributing factors to its underperformance is that the effects and fallout from Brexit have been much worse than anticipated. Secondly although Superannuation has for years been the favourite plaything of successive Governments and in spite of being well aware of the changes that were likely to occur they impacted them harder than Link thought they would. Happily in the latest budget Superannuation changes look to be either neutral or slightly positive.

The major operational change, is the man who joined Link in 2002 and led the company to its IPO, the Managing Director John McMurtie is stepping aside as of November 1. The Group instructed Korn Ferry to undertake the search for the replacement looking both locally and overseas particularly in the UK, a long list was whittled down to a short one which went to the board and of the final candidates the Board unanimously chose Vivek Bhatia. Mr. Bhatia had previously worked as CEO for a Company that two of the Directors, one of which was the Chairman had been on the board at the relevant time. It has been said this appears to be a straight job for the boys. As The Chair of the Human and Resources committee acknowledges, they knew some would perceive it that way and be critical. The Board on the other hand saw it as a strength that two of their Directors had direct experience of how he operated as a CEO, thus their unanimous choice.

The Company in question is ICARE, which has recently had their corporate culture repeatedly criticised in the media, to the extent that the NSW treasurer has brought forward a review by the

Hon. Robert McDougall. ASA was told that from what the Company has read it appeared to be old news but naturally if the review found anything that implicated any Link Director or the incoming CEO appropriate action would be examined. We naturally accept this assurance from the Board, and I am sure that the other independent Directors will be very alert to ensure that no part of the ICARE corporate culture finds its way into the Link Group.

Summary

(As at FYE)	2020	2019	2018	2017
NPAT (\$m)	(113.9)	320.02	143.2	85.2
Share price (\$)	4.10	5.00	7.33	7.90
Dividend (cents)	.10	20.5	20.5	14
TSR (%)	-(16)	(29)	(5)	(2)
EPS (cents)	(21.8)	59.98	28.63	22.63
CEO total remuneration, actual (\$m)	1.56	1.035	1.825	1.74

For 2020, the CEO's total actual remuneration was **16 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 1	Re-election of Peeyush Gupta as a Director
ASA Vote	For

Peeyush Gupta has been a Director of the Company since November 2016.

Mr. Gupta was co-founder and the inaugural CEO of IPAC Securities Limited, a wealth management firm spanning financial advice and institutional portfolio management. He has extensive corporate governance experience, having served as a Director on listed corporate, not-for-profit, trustee and responsible entity boards since the 1990s

He is currently the Chair of Charter Hall Direct Property Management Limited and Long Wale REIT and a Non-Executive Director of National Australia Bank, Insurance & Care NSW (icare), SBS and Quintessence Labs Pty Ltd

The Board considers that Mr Gupta's significant experience in financial services and as a non-executive director brings significant benefit to Board and Committee discussions.

Peeyush Gupta 46,728 shares shows alignment with retail shareholders. The only concern that we have is that he is a Director of ICARE in NSW which has received a great deal of media attention over its poor corporate governance, which resulted in the NSW treasurer bringing forward a review. It would be wrong to vote against someone based on unproven material and since we

have been assured that if the review finds anything that implicated someone in the Link Group action would be examined. We will be voting our undirected proxies in favour of Peeyush Gupta

Item 2	Re-election of Sally Pitkin as a Director
ASA Vote	For

Sally Pitkin has been a Director of the Company since September 2015.

Dr Pitkin has 20 years of experience as a Non-Executive Director and board member across a wide range of industries in both private and public sectors, including listed companies, highly regulated industries, professional services and commercialisation of new technology. As a Former Corporate partner of a national law firm she has considerable corporate and banking law experience.

Dr Pitkin is Chair of Super Retail Group Limited and a Non-Executive Director of The Star Entertainment Group Limited. She is also a Director of the Australian Institute of Company Directors and a Member of the Senate of the University of Queensland

The Board believes that Dr Pitkin's substantial governance and legal experience as well as experience as a non-executive director brings significant benefit to Board and Committee discussions.

Dr. Sally Pitkin holds 85,517 shares which shows alignment with shareholders and with her Corporate governance expertise, legal and commercial experience ASA will vote our undirected proxies in favour of her nomination.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.30	28.6%	1.30	25%
STI - Cash				
STI - Equity	1.30	28.6%	1.95	37.5%
LTI	1.95	42.8%	1.95	37.5%
Total	7.717	100.0%	5.20	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*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.

Voluntary COVID 19 Measures included

- For six months the Chairman and the Managing Director respectively took a 50% fee reduction and a 50% Fixed Pay reduction
- Non-Executive Directors took a fee reduction of 20% for six months
- The Executive Leadership Team including Executive KMP took a Fixed Pay reduction of 20% for six months
- Senior Leaders and other employees took a Fixed Pay reduction of between 10% and 15% for six months.
- The previously agreed annual 2.5% increase to Non-Executive Director fees for FY2019, FY2020 and FY2021 were suspended for FY2020

These measures were taken both to preserve cash and ensure that no staff was stood down. After the end of the financial year when the state of the company was examined, a one off equity grant equivalent to the forgone wages was made to all employees excluding the Managing Director. This grant will vest as equity in two years provided the employee is still with the Link Group.

The STI is properly constructed with a gateway that must be met before any short term bonus is paid. In 2020 the gateway was Operating NPATA of \$151.7Million as the Company only achieved \$144.0Million the gate was not open. This meant that no STI's were paid even although some of the non-financial criteria were achieved.

25% of the LTI is based on Link's Relative Total Shareholder Return (RTSR) compared to the ASX 100 excluding materials, utilities, industrials and energy which means currently that they are compared to a basket of 55 companies. This is a fair measure although we think less than 50% of this bonus should be awarded when you are only average.

75% of the bonus are based on Compound annual growth rate (CAGR) of operating EPS which if the hurdle is set at point that represents better than expected financial performance is a good criteria. The minimum hurdle rate in the past of 7% was a challenging target. The current hurdle has not yet been set because the board is still considering the appropriate mark after assessing the impact of Covid. The hurdle will be set this month and hopefully announced at the AGM.

ASA still struggles with the concept that Link defines long term as being tested over only three year.

LINK Group has made the changes outlined last year and showed their commitment to the new measures by not awarding any ASTI when the gateway was not met.

Overall this is one the better remuneration structure we have seen very well thought out and administered.

Item 4	Approval of Link Group Omnibus Equity Plan
ASA Vote	For

This is a motion means that for three years the awarding of securities under the company employee bonus scheme is exempt from inclusion in the calculation of the 15% of its ordinary capital in a year that can be issued without shareholder approval. Approval is still required for issuing securities to any directors under the Omnibus Equity Plan.

Item 5	Approval of Managing Directors Participation in the Link Group Omnibus Equity plan
ASA Vote	For

This resolution is for the issue of 482,649 Performance Share Rights (PSR) which convert into shares at no cost to the incoming Managing Director Vivek Bhatia. The number of PSRs was calculated by dividing 150% of his base salary by a VWAMP after the announcement of the financial results for the year ended June 2020.

For all or any portion of the PSR to vest as equity requires obtaining the hurdles outlined in resolution 3

Item 6	Adoption of new or amended constitution
ASA Vote	Against

The Constitutional changes are pretty standard. However there is one that ASA takes exception to the provision allowing Virtual Meetings.

Currently companies are holding Virtual meetings because due to the Covid health crises ASIC is not questioning if you have the right to do so in your constitution. We question the need for this provision, as unless there is like the current situation a ban on physical meeting, there is no need for a totally virtual meeting. If such an event occurs again, like now there will be an exception granted.

Indeed for the Company to hold a Virtual meeting in normal times, there needs to be a change in legislation which may or may not happen when a review is conducted after the AGM season, so this proposed change is putting the cart before the horse and is something that should be looked at after the review. For this reason we will be voting our undirected proxies against this resolution

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