



Strong earnings growth, well executed takeover, is board renewal next?

Company/ASX Code	SVW/Seven Group Holdings
AGM date	17 November 2021
Time and location	11am The Mint 10 Macquarie St Sydney
Registry	Boardroom
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Ian Graves assisted by Cheenu Srinivasan
Pre AGM-Meeting	Yes with Terry Davis Chairman elect. Warren Coatsworth, Company Secretary & Legal Counsel, Richard Richards CFO, Gitangala Bhala Chief People Officer.

Please note that an individual involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

1 The urgency for Board renewal with the new Chairman and two other Directors would have served over 12 years at which stage they would not be considered independent, and the Board would not have a majority of independent Directors.

2 Last year we voted against the remuneration report and although this year’s report has been improved by the STI in the Framework meeting ASA’s standards. The LTI still has not addressed the single hurdle measure and needs to reinstate the EPS. As well as increasing the vesting period.

Item 1	Financial Statements
ASA Vote	No vote required

Summary of ASA Position

The Group continued its growth in revenues with its UPAT increasing by 31m over the previous year and declared higher dividends (46c compared to 42c) to shareholders.

With nearly 70% ownership of Boral, the expectation is that growth in infrastructure works across all of Australia would provide ample opportunities.

Australia-China relations are a matter of concern, and at this stage it has not affected the iron ore exports of the Group’s major mining customers. As regards Coal exports of its customers, the company advised that India, Taiwan and Korea took up the bulk of the exports destined for the China market.

The Energy business is expected to improve with increases in gas prices in the Eastern States. Digital transformation of the media business continues and is expected to positively impact both growth and earnings going forward.

Governance and culture

Several risk mitigation steps are canvassed in the Group's Sustainability Report 2021 with emphasis on Net Zero by 2040 with pilot programs and base line data gathering.

While the above is welcome for the Group's operations, the impact of reducing coal exports by key customers with the world weaning itself of coal for power generation is bound to apply revenue pressures from customers who are large scale users of both Westrac and Coates services.

The Group continues to show progress in reducing wages disparity across all operations as well as increase women in workforce.

Financial performance

The Group produced a strong performance with a strong earnings growth, with trading revenue up 6.1%. With EBIT up 7.3% to \$792.1m. with major contributions from key operating businesses, Westrac EBIT up 7.9%. Coates EBIT up 3.8%. Group Operating cash flow up 15.6% to \$622.4m. Underlying EPS up 3.9% to 146 cps with a full year Dividend of 46cps.

Key events

The group undertook an equity raising in May of \$533.14m consisting of \$500m through institutional placement and \$33.14m SPP for retail investors. The group extended the offer for retail shareholders and valid applications were received from 2,164 shareholders with an average amount of \$15,314 @ \$19.73cents per share raising \$33.15m. ASA congratulates 7Group on the encouragement provided to retail shareholders, to participate in the placement.

While no restructure is foreshadowed, the acquisition of Boral (70% ownership) would require diligent attention given the significant number of plants and geographic spread of its operations.

Key Board changes

In August Seven Group announced the retirement of founder and Executive Chairman Mr Kerry Stokes AC with effect from the conclusion of the AGM. He is to be succeeded by the current Lead Independent NED Terry Davis.

ASA focus issue

Directors and Boards

There is a sense of urgency to fill Board vacancies as well as address gender imbalance both on the Board at 22% and in senior management 14%,

Board Skills matrix although showing the percentage of the Board with skills or experience in relation to the industries in which the Group businesses operate, is deficient in that the levels of competencies aren't shown for each member of the Board.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	634.6	118.0	202.9	415.6	46.2
UPAT (\$m)	504.6	473.8	460.8	332.3	215.4
Share price (\$)	20.35	17.18	18.49	19.03	10.94
Dividend (cents)	0.46	0.42	0.42	0.42	0.41
Simple TSR (%) *	21.12	(3)	0.2	81.3	93.8
EPS (cents)	1.84	0.34	0.60	1.27	0.07
CEO total remuneration, actual (\$m)	6,291	4.152	3.023	3.505	1.931

For 2021, the CEO's total actual remuneration was **67 times** the Australian Full time adult Average Weekly total Earnings \$93,444 based on May 2021 data from the Australian Bureau of Statistics). Actual earnings are ASA defined as the cash payments made during the year (FR, STI, deferred STI, plus any vesting of equity incentives at share price on date of vesting).

Note - For November 2020, the Full-time adult average weekly total earnings (annualised) was \$92,034.80 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings". This template will be updated with May 2021 data when available in November 2021.

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking by the share price at the start of the year.

Item 2	Re-election of David McEvoy as a Director
ASA Vote	For

Summary of ASA Position

Mr McEvoy has been a Director of Seven Group Holdings Limited since May 2015 and is a Member of the Audit & Risk Committee and the Independent & Related Party Committee. He has over 40 years, experience oil and gas industry in senior executive and non-executive director roles. Previously a Director of AWE Limited until 2018, Woodside Petroleum Limited until 2017, Acer Energy and Po Valley Energy Ltd.

Mr McEvoy is the holder of 32,860 shares and with his experience as an executive and director in the Oil and gas industry adds this experience to the Board

ASA supports his re-election and will vote all undirected proxies in favour of his re-election.

Item 3	Re-election of Richard Uechtritz as a Director
ASA Vote	Undecided

Mr Uechtritz has been a Director of Seven Group Holdings Limited since 1 June 2010. He is a Member of the Remuneration & Nomination Committee and the Independent & Related Party Committee.

He has over 30 years, experience retailing in senior executive and non-executive director roles. He has been Director of JB Hi-Fi since 2011. *Mr Uechtritz is* the holder of 487,212 shares and with his experience as an executive and director in the retail industry adds this experience to the Board. Normally ASA would support his re-election Mr Uechtritz however he has been a board member for 11 years. Therefore, if re-elected and to serve the full 3-year term and by then will have been a director for over 12 years, at which point ASA will not consider him to be independent.

At the AGM ASA will ask whether he plans to serve his full term and what assurances can he give shareholders as to why he should still be considered independent from management

Based on his responses to these questions ASA will determine whether his re-election is in shareholders' best interests.

Item 4	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

Last year we voted against the remuneration report and this year's report has addressed one of these being the STI. Although the Board has made this adjustment to the remuneration ASA remain opposed to the Board removing the EPS hurdle for the LTI leaving only one hurdles. the Relative TSR that decision, as well as the current LTI vesting after 3 years. Whereas ASA recommends a minimum of 4, and preferably 5 years, and ask that the Board include these measures in any review.

This year's Remuneration Plan clearly sets out the Remuneration Principles with the Strategy outcomes linked to an Executives Remuneration.

The major changes are. MD & CEO an Increase in Long Term Incentive (LTI) at Maximum Opportunity to 100% of fixed remuneration.

Other KMP Executives – STI 60% of Fixed Remuneration (FR) at Target opportunity and 80% at maximum.

STI has a financial gateway of 90% of underlying EBIT.

From ASA's viewpoint although the changes made to the Framework as shown in the Table in Appendix 1 has improved the plan, although as mentioned above still have concerns with the LTI.

As ASA is opposed to both, the having one measure and length of vesting for the LTI. We remain opposed to the Remuneration plan and will vote all undirected proxies against the resolution.

Item 5	Approval of STI grant to CEO/Managing Director Ryan Stokes
ASA Vote	Against

Summary of ASA Position

As Mr Stokes is a Director, Shareholders are asked to approve the grant of 37,675 share rights, based on the issue price of \$19.2544 as part of the 2021 Cash settled deferred share rights plan.

ASA doesn't support the Remuneration Plan from which these rights will accrue. Therefore, ASA will vote all undirected proxies against this resolution.

Item 6	Approval of Placement Capacity Refresh
ASA Vote	For

Summary of ASA Position

This resolution is to provide approval to the company for the issue on April 21 of 22,222,222 shares. Comprising a fully underwritten institutional placement and Share placement plan this placement was approximately 7 % of the 15% allowed in any 12-month period without shareholder approval.

As this resolution is to reinstate this capacity and is supported by the Board.

ASA will support this resolution and vote all undirected proxies in favour of it.

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Appendix 1
Remuneration framework detail

CEO rem. Framework for FY 2021	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.6	36%	1.6	33%
STI – Cash	0.6	13.5%	0.8	16.5%
STI – Equity	0.6	13.5%	0.8	16.6%
LTI	1.6	36%	1.6	33%
Total	4.4	100%	4.8	100%