Australian Shareholders' Association

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Mining, infrastructure and gas lead future growth

Company/ASX Code	Seven Group Holdings/SVW
AGM date	Wednesday 20 November 2019
Time and location	10:30am The Mint, 10 Macquarie Street, Sydney
Registry	Boardroom
Webcast	Yes, details on www.sevengroup.com.au ahead of meeting
Poll or show of hands	Poll on all items
Monitor	Ian Graves assisted by Julieanne Mills
Pre AGM-Meeting?	Lead Independent Director and Chair of Remuneration and Independence Committee Terry Davis, Company Secretary Warren Coatsworth, Group Executive People & Culture and Safety Gitanjali Bhalla: People & Culture,

Item 1	**Consideration of accounts and reports**
ASA Vote	No vote required

A good year for Seven Group Holdings (SVW) with Coates, WesTrac, Allight Sykes and Beach Energy benefiting from the resurgence in mining activity in WA, the infrastructure boom in NSW and the East Coast gas shortages. The company's 41% holding in Seven West Media (SWM) on the other hand saw a significant writedown of its value. While still a leading current affairs and news channel it continues to lose money and is no longer paying dividends and announced a $182.4m loss. A recently announced proposed friendly all script offer for Prime Media Group, will see the holding reduced to 38.5%.

Underlying earnings before interest and tax (EBIT) was up 32% from $514m to $695m coupled with some debt reduction from $2bn down to $1.7bn. The group also saw debt refinanced and extended in 3- and 5-year tranches.

The dividend has been maintained, with excess cashflow destined for reinvestment.
The company's new safety program results were very good with the exception of WesTrac NSW that lagged in both Lost time Injury Frequency Rate (LTIFR) and Total Recorded Injury Frequency Rate (TRIFR). The frequency ratios are calculated on the number of incidents per million hours worked and overall WesTrac recorded very small reductions.

Key events
The sale of WesTrac China for $535m and the purchase of the remaining shares in Coates for $517m, along with a $385m capital raising have consolidated SVW as a market leader of industrial services expertise, giving them a competitive advantage. Increased investment in Beach Energy ($111m) and SGH Energy provide opportunity for further growth and diversification.

As predicted at the time of conversion of TELYS4 (hybrid securities) to ordinary shares, the free float has increased from 26% to 39%. This boosted institutional investment and saw a rise in share price and market capitalisation.

Governance

With a substantial shareholder owning 61.9%, Seven Group's announcement of the appointment of a Lead Independent Director is welcomed along with an Independent and Related Party Transactions Committee (IRPTC) to manage the related party transactions. These moves can create better governance through an increased potential for accountability and transparency. They will also likely reduce the possibility of potential for conflict of interests.

Related party transactions in Financial Year 2019 (FY19) now account for $6.86m of expenses and $100,000 of revenue compared to $46m in 2015. These transactions are reviewed by the IRTPC. Gender diversity on the board has improved with the addition of Ms Farrar but is still low at 22%.

Board Appointments

Bruce Williams who has been a Director at SVW since 2010 and before that its predecessor 7 Network Ltd from 2003 to 2010, retires at the AGM after completing his latest term of office. Ms Kate Farrar was appointed to the Board in February 2019 and is a member of the Audit & Risk, and Independent & Related Party Committees.

Summary

(As at FYE)	**2019**	**2018**	**2017**	**2016**	**2015**
NPAT ($m) statutory	219.2	415.6*	46.2*	197.8	(359.1)
UPAT ($m)	478.9	332.3*	215.4*	184.2	204.3
Share price ($) financial year end	18.97	18.76	10.94	6.01	6.54
Dividend (cents)	42	42	41	40	40
TSR (%)	3.35	81.3	93.8	2.4	(4.2)
EPS (cents) Reported	65	127	7	60	(129)
CEO total remuneration, actual ($m)	3.023	3.505	1.931	1.614	N/A

*2018, 2017 includes continued and discontinued operations

For 2019, the CEO's total actual remuneration was **34.3 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Election of Kate Farrar as a Director
ASA Vote	**For**

Summary of ASA Position
Ms Kate Farrar was appointed to the board in February 2019. She is a member of Audit and Risk committee, and a member of the IRTPC. Ms Farrar is currently CEO of LGIA Super. ASA raised concerns about her workload. The board feel confident that she can manage this and believe her CEO role adds to her skills on the board. Ms Farrar's experience includes McKinsey & Co, Morgans Stockbroking, MD of QEnergy Ltd (2010-2016), and of COO Ergon Energy 1999-2007. Her skills include investment analysis, capital management and allocation and executive experience in the energy and information technology sectors.

Ms Farrar has a shareholding of 2,750. Over the period of her term, ASA would like to see this expanded to reflect one years' base fees.

ASA intends to vote all undirected proxies in favour of this resolution.

Item 3	Re-election of Annabelle Chaplain
ASA Vote	**For**

Summary of ASA Position
Ms Annabelle Chaplain was appointed in November 2015. Ms Chaplain Chairs the Audit and Risk committee, is a member of the Remuneration & Nominations committee and the IRTPC. She also Chairs Canstar Pty Ltd and MFF Capital investments, and is a Director of Downer EDI, Credible Labs and the Australian Ballet. She will be retiring from the Downer EDI board in 2019.

Her experience includes skills in financial services, banking, mining, engineering, and infrastructure services. Ms Chaplain has adequate "skin in the game" with a total shareholding for FY19 of 31,339, she also purchased 10,000 shares in FY19 showing a commitment to the company going forward.

ASA intends to vote all undirected proxies in favour of this resolution.

Item 4	Re-election of Terry Davis as a Director
ASA Vote	**For**

Summary of ASA Position
Mr Davis was appointed to the board in 2010. After 12 years the ASA will no longer classify him as independent, so this will be his last term as an Independent Director. Mr Davis chairs the Remuneration & Nomination Committee, and the IRTPC. He also takes the role of Lead Independent Director. Mr Davis was Managing Director of Coca Cola Amatil 2001-2014, a Director of St George Bank 2004-2008. Mr Davis also has experience in the wine industry as MD of Berringer Blass and Cellar Masters. Mr Davis has skin the game with a shareholding of 96,064. He is to be commended for also purchasing 46,064 in FY19.

ASA intends to vote all undirected proxies in favour of this resolution.

Item 5	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position
The remuneration report is generally clear, transparent and not overly generous.
Fixed pay is aligned with market comparators and there has been no change in MD/CEO remuneration since Ryan Stokes was appointed in 2015. The Short-Term Incentive (STI) is delivered 50% as cash at year end, 50% equity deferred for 2 years, vesting only if Key Management Personnel (KMP) remain employed. There is a financial gateway of 90% group underlying EBIT. Maximum target has now been established at 100% Fixed Remuneration (FR) with a balanced score card and measured against Key Performance Indicators (KPIs) and budget. STI shares are purchased on market. The Long-Term Incentive (LTI) Plan grants performance rights to the KMP based on Total Shareholder Return (TSR) at or above 51st percentile of ASX 100, excluding financials. It measures and vests after 3 years with an additional year's trading restrictions.

Mr Ryan Stokes' LTIs are on the same terms and conditions however due to his significant shareholding of greater than 10%, they are settled in cash. Ms Bhalla's equity component is also settled in cash due to auditing independence complications. The current SVW shareholding policy requires a sliding scale shareholding of 20% of one years fixed annual remuneration (FAR) after 5 years up to 80% of FAR after 20 years. ASA feels that this is inadequate "skin in the game" and recommends expanding shareholdings to the value of a year's FAR within 3 years of being appointed to align with shareholder's interests. However, the equity component of remuneration for KMP has made up for this. A board determined clawback provision is available for variable pay if necessary. The Board has discretion on the purchase or issue of shares for share rights.

The outcome of the plan is that contrary to ASA guidelines, in the plan grants more rewards for Short-Term performance with the target opportunity being 75% of Fixed Remuneration (FAR) and Maximum 100%. Whereas, the LTI at the target opportunity is 60% of FAR and remains the same for the long-term maximum as the table shows. ASA is of the opinion that this does not encourage long-term performance and is therefore not in the interests of shareholders. For this reason, ASA intends to vote all undirected proxies against this resolution.

CEO Remuneration Framework

	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.6	42	1.6	38
STI - Cash	0.6	16	0.8	19
STI - Equity	0.6	16	0.8	19
LTI	0.96	26	0.96	22
Total	3.76	100.0%	4.16	100%

Item 6	Grant of share rights under FY19 Short Term Incentive Plan for CEO & MD
ASA Vote	Against

Summary of ASA Position

The grant of a maximum of 40,122 share rights to the MD & CEO Ryan Stokes. These short-term rights are to be acquired for the equity portion of the 2019 Remuneration Plan, which ASA does not support. For this reason, ASA intends to vote all undirected proxies against this resolution.

Item 7	Proposed increase in limit of aggregate Non-Executive directors' fees
ASA Vote	For

Summary of ASA Position

Proposal to increase the maximum Non-Executive director fee pool by $200,000 from a total of $2.2m to $2.4m. The FY19 Executive Chair fees have risen 10% to $385,000 other director fees have risen marginally to $170,000 from $160,000. This is a moderate increase and the fees are not excessive when compared to companies with a similar market capitalisation and was recommended after an external review. For this reason, ASA will be voting all undirected proxies in favour of this resolution.

An individual involved in the preparation of this voting intention has a shareholding in this company.