



Voting Intentions – Service Stream 2021 AGM

ASX Code	SSM
Meeting Time/Date	10am, Wednesday 20 October 2021
Type of Meeting	Virtual
Monitor	Alan Hardcastle assisted by Christine Haydon
Pre AGM Meeting?	Yes, with chair Brett Gallagher

Proposed Voting Summary

1	Adoption of remuneration report	For
2	Re-election of Brett Gallagher	For
3	Re-election of Deborah Page AM	For
4	Election of Elizabeth Ward	For
5	Acquisition of securities by Leigh Mackender under the FY22 tranche of LTI	For
6	Refresh of placement capacity	For
7	Financial Assistance	For

Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	29.3	49.3	49.9	41.1	28.4
Underlying NPAT (\$m)	38.9	58.8	57.7	41.5	29.1
Statutory EPS (cents)	7.15	12.13	13.09	11.29	7.78
Dividend per Share (cents)	2.5	9.0	9.0	7.5	4.5
Share Price at End of FY (\$)	0.87	1.90	2.81	1.51	1.32
Statutory CEO Remuneration (\$)	1.065	1.607	2.105	1.869	1.358
Total Shareholder Return (%)	(41%)	(29%)	92%	20%	74%

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

Summary of Historical ASA Issues with the Company

Having suffered significant (17%) retail shareholder and proxy advisor votes against its remuneration scheme at the FY20 annual general meeting, the company is to employ a new remuneration scheme in FY22 and this FY21 is described as a transitional year.

The board also undertook to introduce appropriate succession planning, recognising the need for board regeneration. The Company has boosted female representation on the board to 30% with a very recent (early September) appointment of Elizabeth Ward.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The board has an independent non-executive chair and majority of independent directors.
- The board is continuing to progress its succession planning for the three longstanding directors.
- The company has been challenged by Covid in terms of searching for, and appointing, new members to its board. However, pleasingly, with the appointment of Elizabeth Ward, it now has a 30% female representation.
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.
- The company discloses a meaningful skills matrix of the board that is easily accessible by shareholders.
- A Service Stream subsidiary did receive \$1.1m in JobKeeper assistance but the company was negatively impacted by the Pandemic.
- The Company acquired LendLease Services, for an equity purchase price of \$295m, in July 2021 with the integration expected to be completed by November 2021. The business is a good 'fit' with Service Stream's existing businesses.

Areas for Improvement

- One director, Greg Adcock, who has served on the board for five years holds shares worth about \$100,000, significantly less than his annual fee of \$130,000. However, a share price fall has exacerbated this situation. The chair believes that a policy on non-executive directors' (NEDs) shareholdings is not necessary nor appropriate, pointing out that Greg Adcock is a strong performing and well respected board member. ASA believes that NEDs should hold at least one year's base fee in equity.
- It was financed by a \$62m placement; \$123m 1 for 3 accelerated non-renounceable entitlement offer (ANREO); and a \$123m draw down of debt. ASA prefers PAITREO for capital raisings which are fairer for retail shareholders.

Summary

The Company has completely revised the Remuneration Policy and has produced an extensive, detailed and measurable Sustainability Report in addition to acquiring Lendlease Services setting it up for a better future post Covid lockdowns and challenges. The company will continue to build its investor relations profile and is committed to improving female workforce participation having established leadership and graduate programs

Items for Voting

Item 1.	Adoption of Remuneration Report
ASA Vote	For

CEO rem. framework	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	0.903	61.5%	0.903	44.5%
STI - Cash	0.226	15.4%	0.451	22.2%
STI - Equity	0	0%	0	0%
LTI	0.338	23.1%	0.677	33.3%
Total	1.467	100%	2.031	100%

*The amounts in the table above are the statutory 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.*

Positives

- After suffering a 17% vote against its remuneration scheme, and following meetings with proxy advisors and input from an external remuneration specialist, Service Stream has improved its remuneration scheme in terms of incentive plan disclosure and vesting criteria.

FY21 is described as a transitional year and no STIs were paid. With the Company having suffered 29% EBITDA and 40% NPAT falls the CEO's remuneration dropped appropriately.

- CEO's actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package does not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- The quantum of Board fees do not reasonably exceed the Godfrey Remuneration Group report benchmarks.
- At least 50% of CEO's pay is genuinely at risk at maximum opportunity, with STIs, if any, less than fixed remuneration.
- Majority of STIs are based on quantifiable and disclosed performance metrics and, where non-financial hurdles are used, no STIs to be paid unless a financial gateway is met.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- LTI hurdles are based on at least two hurdles, one of which is TSR.
- Comparator groups are from similar industries and include key competitors and any relevant foreign companies.
- No LTI awards based on comparator groups vest unless performance is >50th percentile.
- All share grants are determined by a 10-day VWAP following the full year results announcement FY22 LTIP date 26th Dec. 2021
- Share grants can be satisfied by equity purchased on-market.
- Hurdles are based on earnings are based on statutory earnings.
- No retention payment on any awards are subject only to continuing service.
- No termination payments exceed 12 months fixed pay.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

Areas for Improvement

- ASA would like to see at least 50% of STI payments made in equity
- LTI hurdles currently measured over a 3 year period. ASA view is 4 years or more
- At the time LTIP vests the Company can either satisfy its obligations by issuing new shares or purchasing on market. ASA view is to purchase on market.

Conclusion

The remuneration structure has been completely revised and now features a high at-risk component of total remuneration with reasonable performance hurdles. Although the performance period is shorter than ASA prefers and STI's are paid in cash not equity together with some other non-preferred features the Company has made significant changes so therefore on balance ASA will support the remuneration report.

Item 2	Re-election of Brett Gallagher as a Director
ASA Vote	For

An independent non-executive director and presently chair, Brett Gallagher has served on the Service Stream board since April 2010 and as chair since March 2015. He has more than 25 years' experience in the telecommunications, utilities and infrastructure industries. Brett Gallagher, who holds some 3.9m shares in the company, holds no other listed public company board positions. The ASA proposes to support this resolution.

Item 3	Re-election of Deborah Page AM as a Director
ASA Vote	For

Deborah Page has a wealth of financial experience in the professional services, banking and property industries. Her particular skills include governance and compliance; and risk management. Deborah Page has served on Service Stream's board for some 11 years and she is presently chair of the audit and risk committee, and sits on the remuneration and nomination committee. She holds more than 600k shares in Service Stream and serves on three other ASX listed companies being Brickworks, Pandal Group and Growthpoint Properties. With her appropriate skills and experience, the ASA supports her re-election.

Item 4	Election of Elizabeth Ward as a Director
ASA Vote	For

Appointed to the Service Stream board in early September 2021, Elizabeth Ward brings a skills set that includes change management, business development, industrial relations, contract management and mergers & acquisitions. She's had more than 30 years' experience as a CEO, senior manager, and strategic executive across infrastructure, transport, telecommunications and fisheries' industries. Elizabeth Ward presently holds one other NED role being on the board of Moana New Zealand. The ASA supports her election.

Item 5	Approval of LTI grant to CEO Leigh Mackender
ASA Vote	For

Refer to assessment under item 1

Item 6	Refresh of placement capacity
ASA Vote	For

This relates to the issue of some 68.8m fully paid shares under the institutional placement, announced 21 July 2021, for the acquisition of LendLease Services. It requires shareholder approval under ASX Listing Rule 7.4.

Item 7	Financial Assistance
ASA Vote	For

Pertaining to the acquisition of LendLease Services, it's a special resolution requiring at least 75% of the votes cast by shareholders entitled to vote to be in favour. It will allow LendLease Services and its entities to give assistance by delivering finance at the most favourable terms to the buyer.

Monitor Shareholding

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

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