



## Revenue up, director fees up, CEO's salary up, maybe dividends next year?

<b>Company/ASX Code</b>	<b>SVW/Seven Group Holdings Limited</b>
<b>AGM date</b>	Thursday 17 November 2022
<b>Time and location</b>	11 am Castlereagh Room Sheraton Grand Hyde Park 161 Elizabeth Street Sydney
<b>Registry</b>	Boardroom
<b>Type of meeting</b>	Physical webcast
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Ian Graves
<b>Pre AGM-Meeting?</b>	Yes, with Chairman Terry Davis, Gitangali Bhali, Chief People Officer, Warren Coatsworth Company Secretary

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

### Summary of issues for meeting

#### Board

Board renewal is required, with four of the directors being on the board more than 12 years and therefore not considered independent.

Board skills matrix is basic, with no assessment/conveying of competency level of each individual director.

#### Remuneration

The long-term incentive plan (LTI) has only one hurdle. The short-term incentive (STI) at maximum opportunity exceeds the fixed remuneration amount.

## Proposed Voting Summary

No.	Item description	
2	Election of Ms Rachel Argaman as a Director	For
3	Re-election of Ms Annabella Chaplain as a Director	For
4	Re-election of Mr Terry Davis	For
5	Re-election of Ms Katherine Farrar	For
6	Adoption of Remuneration Report	Against
7	Approval of Grant of share rights under FY 22 Short-Term Incentive Plan for the CEO/Managing Director Mr Ryan Stokes	Against
8	Proposed Increase in Limit of Aggregate Non-Executive Directors' Fees	For

## Summary of ASA Position

### Consideration of accounts and reports - No vote required

Seven Group enjoyed a strong growth in revenue of 65% to \$8,013m with all businesses contributing. Boral takeover was completed on 29 July 21 with results impacted by depreciation and tax. Statutory net profit after tax was \$607.4m down 4.3% on prior year with fully franked dividend steady at 46c per share.

### Risk management

#### Health and Safety

Deteriorated with both lost-time and total recordable injury frequency rate (LTIFR and TRIFR) increasing as a result of skills shortages, turnover and use of contractors. Remediation plans have been implemented to improve safety awareness. As well, NSW WesTrac undertook a focused safety program called hands and fingers, which reported a 32% reduction in injuries in FY 22.

#### Cyber security

Has been a focus for some time although with the increasing frequency, and severity of attacks, security has been enhanced and now encompasses six weekly reporting to the Board.

#### ESG

Seven Group announced in 2021 its commitment for its wholly owned businesses Westrac and Coates to 30% reduction by 2026 ,50% by 2030 and net zero by 2040 from their baseline of 2020.

With their portfolio of businesses, they will work with their partners through their board roles and shareholding votes to assist in the transition to a low carbon future.

Current programs are:

Installation at 8 work sites of solar batteries and LED lights to be completed by 2023.

Using hybrid flatbed trucks in the Perth fleet.

Lifting fleet using hydrogen or electricity.

Have achieved flat greenhouse gas emissions despite increased activity

Westrac using automation and electrification for Caterpillars

Both businesses have installed solar panels

Coates Greener Choices options for plant hire using lightweight materials.

Beach developing a carbon capture and storage facilities in Victoria's Otway basin to capture 200,000 tonnes of carbon as well as a 33% partner with Santos in the construction in the Moomba capture and storage under construction expected to capture 1.7 million tonnes.

Diversity

Is one of quiet understatement to achieve tangible results

Westrac & Coates

Is difficult in heavy industry to achieve.

### **Gender Diversity**

Board 33% female, Senior managers 17.2% up from 12% in 2019.

57% work force is metropolitan & 43% regional

As an RTO is working with First Nation people to establish partnerships with their businesses and increase training above the 173 delivered in 2022.

### **Key Board changes**

In February 2022, Ms Rachel Argaman was appointed a director returning female board representation to 33%.

### **Summary**

(As at FYE)	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
NPAT (\$m)	607.4	634.6	118.0	202.9	415.6
UPAT (\$m)	577.3	504.6	473.8	460.8	332.3
Share price (\$)	16.61	20.35	17.18	18.49	19.03
Dividend (cents)	0.46	0.46	0.42	0.42	0.42
Simple TSR (%) *	(16.5)	21.12	(3)	0.2	81.3
EPS (cents)	154	184	0.34	0.60	1.27
CEO total remuneration, actual (\$m)	5.273	6.291	4.152	3.023	3.505

## **Election or re-election of directors**

With 4 directors having served since 2010 and no longer considered independent the Chairman has advised that the board is aware of the need for renewal and expect to make an announcement 2023.

Directors are considered non independent if they have served 12 years or more.

### **Election**

#### **Rachel Argaman OAM**

Was appointed to the board on 7 February 2022. Rachel is a member of the Remuneration & Nomination Committee and the Independent & Related Party Committee.

Prior to her appointment she had been CEO of Opal Health from 2018.

ASA expects that directors acquire “skin in the game” over three years and although Rachel has only been on the board since February we will be asking when she intends to acquire shares.

### **Re-election**

#### **Annabella Chaplain AM**

She has been a director since 2015 and is Chair of the Audit & Risk Committee, member of the Remuneration & Nomination Committee, and the Independent and Related Party Committee.

Directorships of other listed companies are MFF Capital Investments Ltd since 2019 and Super Retail Group Ltd since 2000.

She is also Chairman of Canstar Pty Ltd.

#### **Terry Davis**

Was appointed board Chairman in November 2021 and a director since 2010. He is Member of the Remuneration & Nomination and Independent & Related Party Committees.

Previously he had been Group Managing Director, Coca-Cola Amatil from 2001-2014 and Managing Director of Beringer Blass & Managing Director Cellar Masters Wine from 1987-1997.

Although Terry will no longer be considered independent, we will support his re-election as he was only appointed Chairman in 2021, and the majority of the Board is independent. In addition, there is a commitment to Board renewal.

#### **Katherine Farrar**

She has been a director since February 2019 and is Chair of the Remuneration & Nomination and Member Audit& Risk, and Independent & Related Party committees.

She had previously been Brighter Super’s CEO from 2018.

Katherine has had 35 years’ experience in the finance and energy sectors.

## **Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO Executive Officer.**

ASA will be opposing this report as:

The maximum Short-Term Incentive is excessive exceeding both the Fixed remuneration amount and the Long-Term Incentive (Refer Appendix 1.) resulting in the CEO's pay at risk, not being primarily through LTI.

As well, the LTI has only one hurdle, TSR, rather than two as preferred by ASA.

## **Grant of Share Rights under the FY22 Short-Term Incentive Plan**

The grant of 59,149 share rights is 50% of the STI award divided by the 5-day VWAP at the 30 June prior to the commencement of the vesting period, adjusted for the value of the dividends forgone.

As ASA doesn't support the remuneration report we are unable to support any benefits that accrue from it.

## **Proposed Increase in limit of aggregate Non-executive Directors Fees**

By \$400,000 from \$2,400,000 to \$2,800,000 as the last increase was in 2019 and given the growth in the size of the company, this increase is not seen as excessive.

Effective from 1 July 22, annual NED base fees increased from \$170,000 to \$180,000 and Annual Audit & Risk Committee member fees from \$20,000 to \$30,000.

Also following the retirement of the previous Chairman Mr Kerry Stokes AC new Chairman's fees were set at \$475,000

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## Appendix 1 Remuneration framework

CEO rem. Framework for FY22	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.9	33.3%	1.9	30%
STI - Cash	0.95	16.66%	1.26	20%
STI - Equity	0.95	16.66%	1.26	20%
LTI	1.9	33.3%	1.9	30%
Total	5.7	100%	6.32	100%