



Super Retail - all businesses delivering sales growth

Company/ASX Code	Super Retail Group/SUL
AGM date	Tuesday 22 October 2019
Time and location	11.300 am PwC Apollo room Level 23 480 Queen St Brisbane Qld
Registry	Link Market Services Sydney
Webcast	No
Poll or show of hands	Poll
Monitor	Peter McInally
Pre-AGM Meeting?	Yes with Chair Dr Sally Pitkin, Chair of Audit and Risk committee Howard Mowlem (by phone) and Robert Wruck head investor relations

Item 1	Reports and Accounts
ASA Vote	No vote required

Summary of ASA Position

The 2019 results have proven the Group's management and board supervision capabilities are functioning satisfactorily. Overall, sales grew from \$2,570m to \$2,710m between FY18 (financial year 2018) and FY19, an increase of 5.4%. The earnings per share (EPS) also grew, from 65.0 to 70.6c, an 8.6% increase from the previous year. The former CEO Peter Birtles resigned in February 2019 and was replaced by Anthony Heraghty, an internal appointment, previously heading up group's Macpac and BCF brands. Mr Birtles' resignation was accelerated in the process of rectifying the underpayment of retail and other team members, that diminished earnings by over \$40m in repayments to 4,500 employees who set up and refurbished Super Retail Group stores over the last eight years¹.

The Annual Report shows all four businesses have increased turnover and profitability. This includes the fourth business, Macpac, acquired in FY18 was merged with Rays and adopted the Macpac name for the Rays stores, all taking place during the term of the first full year of the Chair, Dr Sally Pitkin.

The company is embracing ecommerce, investing in digital capabilities, developing online as well as bricks and mortar channels. Online sales now represent 7% of total sales. The sizeable

¹ Mitchell, S, <https://www.afr.com/companies/retail/super-retail-group-books-43m-for-manager-underpayments-ceo-leaving-early-20190212-h1b56g>

club membership base provides knowledge on customer personalised habits and preferences. Net debt decreased by 36.2m, from \$422.9m to \$386.7m in FY19.

Overall, there has been an increase in sales, revenue and profits after tax for the company but the performance has not been as strong as in previous years. While some flux is expected as the group transitions towards a digital model, reflecting the buying habits of modern consumers, it is clear the group needs to more robustly address and acknowledge risks which include issues relating to fair payment for employees, changing consumer habits and digital disruption as a result of growing online purchasing as well as external issues that could impact manufacturing and inventory – for example, the “trade war” between China and the USA.

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	152.5	145.3	101.8	62.8	81.1
UPAT (\$m)	162.55	145.3	135.8	108.6	106.3
Share price (\$)	8.23	8.10	8.20	8.77	9.40
Dividend (cents)	50c	49c	46.5c	41.5c	40c
TSR (%)	7.6%	5.1%	-2.5%	0.6%	12.6%
EPS (cents)	75.6c	73.2c	68.4c	57.7c	53.5c
CEO total remuneration, actual (\$m)	\$1.578m	\$1.504m	2.485m	1.548m	1.490m

For FY 2018/19 the CEO’s total actual remuneration was 17.9 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note - For May 2019, the Full-time adult average weekly total earnings (annualised) was \$88,145 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>,

Item 2	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	1.05	43.75%	1.05	39%
STI - Cash	0.5	20.1%	0.75	29%
STI - Equity	0	0%	0	0%
LTI	0.85	36%	0.85	32%
Total	2.4	100.0%	2.7	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.*

The remuneration report sets out the detail needed but could be much clearer in terms of defining the target and maximum amounts for the Short-Term Incentives and Long-Term Incentives (STIs and LTIs).

The former CEO lost STIs due to prior underpayment of staff issues highlighted at the beginning of the report. The new CEO received benefits for his term as MD Outdoor Retailing (BCF and Macpac) and then subsequently as CEO starting February 2019.

The current CEO was also offered one off co-investment grant of performance rights to the value of \$400,000 provided that Mr Heraghty acquire an additional \$200,000 of Super Retail Group ordinary shares to build his shareholding. As Mr Heraghty has purchased these shares, he will be awarded the performance rights which will vest over a 3- to 5-year period.

The changes for the report from FY20 onwards use a 3-year measure for LTI and restrict 50% of vesting rights for 4 years. This restricted vesting for 4 years closer aligns with ASA recommended policy of 5 years.

Item 3	Re-election of Diana Lane Eilert as Director
ASA Vote	For

Summary of ASA Position

Diana Eilert has been a non-executive director (NED) since 2015. She has increased her shareholding in the Company to 15,500 shares meeting the ASA guidelines for minimum shareholding requirements for directors at the end of three years. She is also a NED in Domain and Elders. Diana's previous experience as a NED has seen her serve on boards for realestate.com, Veda and Navitas and is currently also on the boards of Elders and Domain.

Her expertise in the areas of strategy, technology, customer experience and marketing and risk make her a strong candidate with necessary skills that can aid Super Retail's transition to a digital marketplace.

Current Chair of the Human Resources and Remuneration Committee Launa Inman is not standing for re-election. If Ms Inman steps down from the board, it will no longer maintain the minimum 30% ratio of female board members and dilute the diversity of the board.

Considering these issues, ASA supports the re-election of Diane Eilert to the board.

Item 4	Approval of issue of securities to the MD & CEO Anthony Heraghty
ASA Vote	Yes

Summary of ASA Position

Performance rights as part of the LTI for the CEO are part of the employee incentive scheme.

The entitlement is 86,924 performance rights. The benefit is derived over a 3-year performance period with a 4-year vesting period.

The explanatory notes to the notice of annual meeting clearly set out the earnings per share hurdle and show an alignment with shareholder gain in long term share price.

The quantity of performance rights awarded compares with similar entitlements provided to the previous CEO who received 131,924 performance rights.

While the ASA does not see any reason to deny Mr Heraghty these performance rights, it does want to note that issues such as employee underpayment do not occur in isolation and company leadership should not be selectively rewarded just because a former employee or group leader took responsibility for a lapse in organisational behaviour.

Item 5	Approval of issue of securities to the MD & CEO Anthony Heraghty - co-investment grant
ASA Vote	For

Summary of ASA Position

As a term of his employment, the CEO became entitled to a one-off grant of performance rights. He was required to self-fund an additional \$200,000 worth of ordinary shares. This ensured that Mr Heraghty would immediately meet the company's minimum securities holding policy. As managing director of Outdoor Retailing, he held performance rights from 2015 onwards. Vesting for these rights extends from 50% in 3 years to 25% in the fourth and fifth years of being awarded.

Item 6	Amendments to the Constitution of the Company
ASA Vote	For

Summary of ASA Position

The amendments are designed to improve efficiency in modern communication in meeting format, voting, electronic notices and dividend payment procedure. Shareholder rights are not lessened so long as shareholders accept technology and electronic communications.

Timing and management of director appointments are closer aligned to market practice.

The individual(s) (or their associates) involved in the preparation of this voting intention has shareholding in this company.

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