



Further progress towards vision of becoming Australia’s leading integrated resort

Company/ASX Code	The Star Entertainment Group/SGR
AGM date	Thursday 24 October 2019
Time and location	11am (Qld time) at The Westin, 111 Mary Street, Brisbane Qld
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Carol Limmer assisted by Silvana Eccles
Pre AGM Meeting?	Yes with Chair, John O’Neill, and Chair of Rem. Committee, Sally Pitkin

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

Summary of ASA Position

SGR is not just involved in casinos but in a portfolio of high-quality tourism, entertainment and gaming assets which continue to grow in their local destinations of Sydney, Gold Coast and Brisbane. For example, there are casinos, retail outlets, restaurants/cafes to suit all customers, theatres, hotels and residential apartments. To date, their focus has been firmly on the Eastern seaboard. Their continued expansion along with strong domestic results and an organisational restructure has prepared it for next stage of growth and development. There has been a good increase in international VIP visitors but the actual spend per person in this segment has decreased.

Their growth strategy continues to be supported by their partnership with Hong Kong based joint venture partners of 5 years duration. Their partners bring complementary skills and assets (Development, Retail/Distribution, Hospitality and Capital) which work well.

For the past 3 years, SGR has executed on a diversification strategy across the International VIP Rebate business. The main aim has been to drive ongoing growth in non-North Asian source markets and the Premium Mass business. There were a number of initiatives for them to celebrate in 2019 financial year (FY19) which showcased their commitment to tourism, sustainability and the cities in which they operate.

Financial Performance

Financial performance was solid overall. Statutory Gross Revenue was \$2.51bn which is slightly less than FY18. Statutory net profit after tax (NPAT) was up 33.7% at \$198m and Normalised NPAT was down 8.4% (from \$258m to \$224m). There is the impact of market conditions, including lower spend per person in VIP segment. Dividends totalling 20.5 cent per share were in line with

previous year, reflecting a payout ratio of 84%. SGR has a relatively strong balance sheet and cash flow.

Significant projects at all 3 locations (The Star, Sydney and Gold Coast and establishment of the Queens Wharf in replacement for Treasury Brisbane) are progressing on time and within budget. The Queensland development is the largest single private sector project in that state and will employ 2,000 locals at peak construction and 8,000 when completed. There has been a delay on approval for the proposed Ritz Carlton development (Hotel, Apartments and Community area) in Pymont - awaiting response from NSW Government. There has been some opposition to the development due to issues such as height of building and traffic consequences.

Sydney's casino licence continues until 2093 and includes exclusivity arrangement for a single casino until November 2019, or until Crown opens at Barangaroo (expected 2020). Gold Coast has a perpetual casino licence. Brisbane Treasury has a licence which is available until 2070 but when it is replaced by Queens Wharf this latter property will have a 99-year licence with exclusivity period of 25 years.

There has been a major cost cutting exercise to cope with market conditions generally.

The Board has confidence that organisational changes and cost management measures implemented in second half FY19 will position the Group to deliver quality results in the context of softening macro-economic environment and some challenging market conditions, both domestically and internationally.

Governance and Culture

The Corporate Responsibility, Corporate Governance and Sustainability Reports (including focus on diversity) are clearly documented. Likewise, the description of main risks and mitigation strategies are well articulated. The Annual Report is also well set out.

SGR continues to win many awards across their various properties including International ones like once again being No 1 for their sector in well recognised Dow Jones Sustainability Index. Two of the seven non-executive directors (NEDs) are females and three of the eight key management personnel (KMPs) are female. All NEDs can be regarded as independent and all have "skin in the game" in terms of minimum shareholdings with policy in line with ASA guidelines.

SGR is aware of the need to have a good culture from the top down in the organisation and puts significant and ongoing efforts into this.

Key events

The new group structure includes Gaming and Marketing centres of excellence with a third centre – Hospitality and Tourism – also being established to enable SGR to improve capability processes and decision-making in these areas. The organisational review has also resulted in streamlining the executive team with consolidation of the finance, investor relations and IT functions under the CFO role which has group-wide responsibility for operations at Sydney, Gold Coast and Brisbane as well as consolidation of legal, risk, regulatory and compliance functions under a Chief Legal and Risk Officer role. This will essentially take SGR from development to readiness for delivery and operation of extensive new assets in NSW and Qld.

Key Board or Senior Management changes

There have not been any Board changes but as a result of the above organisational changes Group Financial Officer, Chad Barton, has decided to leave the business following a transition period through to 1 November 2019. Mr Barton's responsibilities will transition to Harry Theodore who joined SGR in 2011 and is currently the Chief Commercial Officer (with responsibility for Strategy, JVs, Investor Relations and IT).

The following table provides 5-year summary of performance together with CEO's actual remuneration. CEO.

Summary (As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	198	148.1	264.4	194.4	169.3
UPAT (\$m)	224	258	214.5	194.0	172.0
Share price (\$)	4.12	4.93	5.05	5.40	4.36
Dividend (cents)	20.5	20.5	16	13	11
TSR (%)	-10.7	4.8	113.5	54.5	-7.36
EPS (cents)	21.6	17.5	32	23.6	20.5
CEO total remuneration, actual (\$m)	3.33**	4.375	1.695*	4.03	3.60

* No LTI awarded in 2017 ** No STI awarded in 2019

The CEO's total actual remuneration was 37.4 times the Australian Full time Adult Average Weekly Total Earnings of \$88,145 (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Re-election of Mr Gerard Bradley
ASA Vote	For

Summary of ASA Position

Mr Bradley has been a NED since 30 May 2013 and is Chair of Risk & Compliance Committee and a Member of the Audit and Investment & Capital Expenditure Review Committees. His formal qualifications make him well placed for the role. He has also been Chair of Queensland Treasury Corporation and related companies. Mr Bradley has extensive experience in public sector finance in both Queensland and South Australian Treasury Departments. Has also served as Chair of Board of Trustees at Q Super and been a Director at a range of other entities. He is currently a NED of Pinnacle Investment Management Group and the Winston Churchill Memorial Trust.

The Board considers that he provides an important contribution, given his extensive financial expertise and risk management experience.

He has re-confirmed to the Board that he has sufficient time to meet his responsibilities as a NED at SGR.

Mr Bradley holds 60,000 shares in SGR.

Item 3	Re-election of Mr Richard Sheppard
ASA Vote	For

Summary of ASA Position

Mr Sheppard has been a NED since 1 March 2013 and is Chair of the Investment & Capital Expenditure Review Committee and a Member of the Audit and Risk & Compliance Committees. His formal qualifications make him well placed for the role.

He has had an extensive executive career in the Banking and Finance sector, including previously having been MD and CEO of Macquarie Bank Ltd and chaired boards of some of their listed entities. Mr Sheppard has also Chaired the Commonwealth Government's Financial Advisory Council. He is currently Chair and NED of Dexus Property Group and a NED of Snowy Hydro Ltd and a Director of the Bradman Foundation.

The Board believes that Mr Sheppard's risk management skills and experience in banking and finance remain valuable to the Board.

He has re-confirmed to the Board that he has sufficient time to meet his responsibilities as a NED at SGR.

Mr Sheppard holds 150,000 shares in SGR.

Item 4	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The following table shows the Maximum Potential Opportunity for CEO for FY19, there is no targeted level of reward.

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	\$1,728,900	51.9%	\$1,728,900	23.9%
STI - Cash	Nil	0%	\$1,728,900	23.9%
STI - Equity	Nil	0%	\$864,450	12.0%
LTI	\$1,601,274	48.1%	\$2,900,000	40.2%
Total	\$3,330,174	100.0%	7,222,250	100%

There is a letter from the Remuneration Committee Chair included in the Annual Report which gives outline of their remuneration arrangements and mentions that a short-term incentive (STI) did not apply for FY19 as the financial gateway was not met (although reasonable outcomes applied for non-financial measures). There is also no increase in Fixed Remuneration, STI potential

nor long-term incentive (LTI) potential for CEO in FY20 as well as no increases in fees for Directors. The current cap for NEDs is set at \$2.5m with amount being utilised in FY19 being \$1.866m

During the year there was a LTI performance hurdle testing with awards being allocated at 99.65%. A testing of further LTI allocation after Report date has resulted in a NIL award outcome for participants.

In response to an increase in competition for talent, particularly in view of Crown Barangaroo's preparations for opening in late 2020, the Board introduced an Equity Retention Plan (ERP) for key frontline staff (ie excluding Executive KMP). Under this ERP, participants are entitled to receive up to 100% of their Fixed Annual Remuneration amount in value as fully paid ordinary shares after 5 years. They are issued at no cost to participants and are subject to service condition of 5 years. Participants are entitled to dividends and may also benefit from share price growth over the vesting period. The Board will be reviewing participation and eligibility on an annual basis.

STI awards have a third deferred into equity for 12 months with the rest paid in cash and there is a financial gateway. It would be preferable to have a larger portion deferred into equity and a longer deferral period. However, we acknowledge that there is much higher LTI than STI focus in variable/at risk portion of remuneration.

LTIs were previously allocated on a Moderated Market Value basis but SGR has now moved to Face Value, as per ASA guidelines. There is a 4-year performance period and 3 performance hurdles – total shareholder return (TSR), earnings per share (EPS) and return on invested capital (statutory earnings before interest and taxes, adjusted for theoretical win rate in VIP Rebate business, as a proportion of average Net Debt and average Shareholder Equity). With TSR, 50% is paid at 50th percentile – a more rigorous hurdle would be preferred.

There are clawback provisions.

The Annual Report provides comprehensive information on remuneration. Actual Remuneration figures are available in addition to mandatory Statutory Remuneration.

Item 5	Approval of LTI grant to CEO/Managing Director, Matt Bekkier
ASA Vote	For

Summary of ASA Position

See also comments under Item 4 above.

The fixed component of remuneration of MD/CEO, Matt Bekkier, for FY20 is unchanged at \$1.728m. For performance at target his STI is also set at that amount with a maximum potential of 150%. LTI maximum potential is also unchanged at \$2.9m. As mentioned above, awards are allocated using face value. He did not receive a STI payment in FY19.

In relation to LTI, Performance Rights vested during the year and since issue of Report a testing of further allocation (253,436) resulted in NIL being awarded as performance hurdles were not achieved.

Mr Bekkier currently has a holding of 1.844 m Performance Rights.

The individual(s) (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

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