



A difficult year with decisive actions taken, with some light ahead albeit a long way off

Company/ASX Code	Seven West Media/SWM
AGM date	Thursday 12 November 2020
Time and location	11am Virtual
Registry	Boardroom
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Sue Howes assisted by Ian Graves
Pre AGM Meeting?	Yes with Teresa Dyson – Chair Audit and Risk Committee, Warren Coatsworth – Company Secretary, Katie McGrath – Chief Executive People and Culture and Jeff Howard - CFO

Please note any potential conflict as follows: The individuals (or their associates) involved in the preparation of this voting intention hold no shareholding in this company.

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

Summary of ASA Position

Governance and culture

After the upheaval around the previous CEO and associated cultural issues, the new CEO seems to be making progress on bedding down the culture and changing the direction of the company. The new CFO appointed during the year has assured us he is laser focused on repair of the balance sheet.

Financial performance

Dividends continue suspended after, yet another difficult year and shareholders have seen a further drop in the value of their shares over the year of 81% on the back of the 45% drop the previous year. The result is a combination of past overpayment for programming rights, shifts in advertising expenditure and asset valuations that proved to be too high given the environment, both of which have led to poor profitability at the same time as significant asset write downs.

The company's biggest issue is their balance sheet. Our discussions with the organisation give us some comfort that the Board and senior management are very aware of this and are focused on repair. This repair has commenced with the sale of Pacific Magazines, for around \$36m greater than the written down valuation, and the sale and lease back of two properties. These sales have allowed debt to be reduced, although there is still more work to be done.

Major programming rights have been renegotiated.

SWM were unfortunate in that they have been trying to deal with significant internal financial, governance and cultural issues at the same time as COVID, which has also had a significant effect on the business with a soft advertising market, restrictions on production of programs such as Home and Away and sporting events being cancelled.

There are signs of a turn around, though, with the debt reductions, a likely floor on asset valuations, some success with programming rights revaluations and changes to their content provision. The company has also made \$170m of cost reduction initiatives, some of which will show up in next year's accounts.

Key events

The sales identified above have resulted in a reduction in debt, although this is still high. The company has had to renegotiate its debt during the year with more lenient covenants and an extension to facilities. The company expects to further renegotiate debt to obtain better terms as they progress through their plans.

Key Board or senior management changes

The only notable change this year is the CFO, which does not seem to be contentious.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	(200.1)	(444.0)	134.9	(745.0)	184.3
UPAT (\$m)	40.8	129.3	142.5	166.8	207.3
Share price (\$)	0.09	0.465	0.840	0.715	1.060
Dividend (cents)	0.0	0.0	0.0	6.0	8.0
TSR (%)	(80.85)	(44.64)	17.48	(32.55)	3.92
EPS (cents)	(10.6)	(29.5)	8.8	(49.4)	12.2
CEO total remuneration, actual (\$m)	1.342	2.863	2.709	2.741	3.195

For FY20, the CEO's total actual remuneration was **14.5 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings", Trend(a)).

Item 2	Re-election of Kerry Stokes AC
ASA Vote	For

Summary of ASA Position

Mr Stokes was appointed to the board in September 2008 and is standing as a non-independent director, one of 3 on the Board, with the majority Independent Directors. Mr Stokes is the Executive Chairman of Seven Group Holdings Limited (the Company's largest Shareholder), and Chairman of Australia Capital Equity Pty Limited. His Board memberships included Council member of the Payley Group (formerly the International Council for Museum & Television) as well as Chairman and Fellow for the Australian War Memorial.

Given that Mr Stokes joined the Board 12 years ago, is a major shareholder of SWM and holds the position of Chair, we questioned the company on the need for a lead independent director role. The company advised that the Chair of the Audit and Risk Committee performs this role informally and the independent directors do meet separately, regularly to discuss issues.

ASA supports his re-election and will be voting all undirected proxies in favour of this resolution

Item 3	Re-election of Teresa Dyson
ASA Vote	Undecided

Summary of ASA Position

Ms Dyson was appointed to the Board in November 2017, is Chairman of the Audit and Risk Committee and has broad experience in both the public and private sectors. Ms Dyson is also a non-executive director of 3 listed companies, as well as 4 Government Corporations, a Super Fund and a member of the Foreign Investment Review Board.

ASA policy is that a director should limit their workload to sitting on 5 separate listed companies, and will generally treat a paid director's role in government or non-for-profit organisations as equivalent to one directorships. Ms Dyson's roles all have very different time and effort requirements and she has reduced her listed director roles by one this year. SWM has confirmed that during Covid there were a higher number of meetings and all Directors were able to respond. However, eight of the nine roles this director has have reasonable time requirements and she has the added responsibility of the unofficial lead independent director role for SWM.

ASA believes that a Director should demonstrate alignment with shareholders by having the equivalent of 1 year's fees invested in the company after 3 years. After 2 years on the Board Ms Dyson owns 38,218 shares. We will be asking of her intentions to further invest in the company.

Although ASA has concerns about her workload and requests that Ms Dyson review them again, we consider her to be an independent director with an appropriate background to undertake her duties.

Item 4	Re-election of Michael Ziegelaar
ASA Vote	Undecided

Summary of ASA Position

Mr Ziegelaar was appointed to the Board in November 2017 and is a member of the Audit and Risk Committee. He is a senior partner of a global law firm, where he is the Co-Head of Australian Equity Capital Markets.

ASA has concerns about Mr Ziegelaar's workload being a partner in a law firm and co-head of their Australian Equity Capital Markets practice. ASA will be asking at the meeting how much time per month he is able to commit to Seven West issues.

ASA believes that as Director should demonstrate alignment with shareholders by having the equivalent of 1 year's fees invested in the company after 3 years. After 2 years on the Board Mr Ziegelaar owns 10,000 shares. We will be asking of his intentions to further invest in the company.

ASA will decide whether to support or not support this resolution depending on his answers to these questions.

Item 5	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.35	33%	1.35	29%
STI - Cash	.675	17%	1.013	21%
STI - Equity	.675	17%	1.013	21%
LTI	1.35	33%	1.35	29%
Total	4.05	100.0%	4.725	100%

The amounts in the table above are the 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.

For the last 3 years ASA has voted against the Remuneration report, because the structure is too heavily weighted towards short term incentives. (STI) 42% at the maximum opportunity. This amount exceeds the fixed remuneration both at target opportunity and the maximum opportunity. We note that there have been no STI's awarded this year and suggest that it is an appropriate time for the Board to reconsider this allocation.

ASA is also concerned with awarding of the STI's as these appear to be awarded on the basis of achievement of the KPI's (Key Performance Indicators), rather than rewarding exceptional performance. Why does the Board consider that that achievement of a performance metric justifies a bonus when that is what should be expected to be part of the normal fixed remuneration?

With the Long-Term incentive (LTI) we note that Total shareholder return is the sole measure whereas ASA prefers two measures. Also the performance period should be over 4 years and the award should not commence until the 51st percentile.

As a result of these concerns ASA is **not able** to support the 2020 Remuneration Plan and will vote all undirected proxies against this resolution.

Item 6	Grant of Performance Rights to Managing Director and Chief Executive Officer
ASA Vote	Against

Summary of ASA Position

As the CEO is a director, shareholders are asked to approve the grant of 11,250,000 Performance Rights, currently valued at \$1.013m, as part of the Company's LTI plan for FY21. ASA doesn't support the Remuneration Plan from which these rights will accrue. Therefore, ASA will vote all undirected proxies **against** this resolution.

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