



Voting Intentions – Tabcorp Ltd 2021 AGM

ASX Code	TAH
Meeting Time/Date	10am, Tuesday 15 October 2021
Type of Meeting	Virtual
Monitor	Mike Muntisov
Pre AGM Meeting?	Yes, with Chair Steven Gregg, Chair Rem Committee David Gallup, Co Sec Chris Murphy, Investor Relations Chris Richardson

Proposed Voting Summary

2a	Re-election of Mr Harry Boon as a Director	For
2b	Re-election of Mr Steven Gregg as a Director	For
2c	Election of Ms Janette Kendall as a Director	For
3	Adoption of Remuneration Report	For
4	Grant of Performance Rights to CEO/Managing Director David Attenborough	For

Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	269	-870	363	29*	-21
Underlying NPAT (\$m)	399	271	398	279*#	179
Statutory EPS (cents)	12.3	-43	18	1.9	-2.5
Dividend per Share (cents)	14.5	11	22	21	25
Share Price at End of FY (\$)	5.18	3.35	4.45	4.46	4.37
Realised CEO Remuneration (\$)	\$3.2m	\$2.5m	\$2.7m	\$4.1m	\$4.9m
Total Shareholder Return (%)	59%	-22%	5%	7%	1%

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. *Includes part year Tatts contribution. #restated to reflect AASB15

Summary of Historical ASA Issues with the Company

The company has progressively implemented improvements sought by ASA over the last few years including greater transparency on remuneration and political donations. Tabcorp is one of the largest political donors on the ASX. There has been a significant amount of churn on the board in recent years.

In July 2021, the Board announced its intention to demerge the company into two separate companies, one focussed on the Lotteries/Keno business and the other on Wagering. As a result, the planned retirement of long-term CEO David Attenborough has been delayed until the demerger.

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

Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- Tabcorp policy is for Directors and other KMP to invest at least one year's worth of base cash fees in company shares, within 3 years.
- 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 easily accessible by shareholders.
- Last year the company raised capital fairly by using a pro-rata renounceable entitlement/rights offer.

Areas for Improvement

- The ASA is not in favour of companies making political donations. This subject has been discussed with Tabcorp and they believe that involvement in political party forums is important in protecting shareholder interests. In FY21 a total of \$186,000 in political donations were made (FY20: \$190,000). These are typically balanced between the parties. At least Tabcorp now disclose the quantum of donations in the annual report.
- The Board does not have a minimum of 30% female directors (actual 25%). Tabcorp has a policy which aims to achieve at least 40% female Non-Executive Directors by the end of FY23 and did achieve its target of 40% of females in senior leadership positions by the end of FY21 (Actual 43%). However, this is somewhat moot given the demerger of the company. ASA has stressed that the demerger provides a perfect opportunity to immediately achieve board diversity for both demerged companies.

Summary

With the upcoming demerger, ASA will be stressing the maintenance of the positives and overcoming the negatives in the formation of the two demerged companies.

Items for Voting

Item 2a	Re-election of Mr Harry Boon as a Director
ASA Vote	For

Mr Boon, who holds law and business degrees, was appointed to the board in December 2017 as part of the Tatts combination. He has adequate skin in the game (a shareholding equivalent to two times his base fee) and is independent. His experience, particularly as chairman of the former Tatts business, is appropriate for the board. He does not hold any other directorships and so workload is not an issue.

For these reasons, the ASA proposes to support his election.

Item 2b	Re-election of Mr Steven Gregg as a Director
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ASA Vote	For
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Mr Gregg, B.Com., was appointed to the board in July 2012 and as chairman since January 2021. He has adequate skin in the game (a shareholding equivalent to 120% of his base fee, which will need to increase over the next 3 years to reflect the higher Chairman fee) and is independent. His experience is appropriate for the board.

He is chairman of Ampol Ltd, and a NED of Challenger. This puts him at the limit of ASA's director workload guideline, not counting private companies. ASA raised workload with Mr Gregg at the pre-AGM. He indicated that this is his last term at Challenger and he may retire from it mid-term.

Therefore, the ASA proposes to vote for his election.

Item 2c	Election of Ms Janette Kendall as a Director
ASA Vote	For

Ms Kendall, B.Bus (Marketing), was appointed to the board in August 2021. She is independent. Her experience in the hospitality and gambling sector and in marketing are relevant for the board. She has number of other directorships but is within the ASA guidelines for workload.

For these reasons, the ASA proposes to support her election.

Item 3	Adoption of Remuneration Report
ASA Vote	For

CEO rem. framework	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	2.00	40%	2.0	27%
STI - Cash	0.75	15%	1.125	16%
STI - Equity	0.75	15%	1.125	16%
LTI	1.5	30%	3	41%
Total	5.0	100%	7.25	100%

The FY22 Remuneration Scheme measures are noted where applicable. FY22 has no changes to the CEO target and opportunity quantum in the above table

Positives

- 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 is within the Godfrey Remuneration Group (GRG) report benchmarks.
- The quantum of Board fees is reasonably within the GRG benchmarks.
- At least 50% of CEO's pay is genuinely at risk (60% at target).
- STIs are less than fixed remuneration (at target).
- The majority of STIs are based on disclosed performance criteria and no STIs to be paid unless a financial gateway (EBIT FY22) is met.
- 50% of STIs is paid in equity with a 2-year holding lock.

- No retesting of performance hurdles is allowed.
- LTI hurdles are based on two hurdles, one of which is TSR (75% of award) and the other ROIC (25%).
- Comparator group is ASX 25-75.
- No LTI awards based on comparator groups vest unless performance is >50th percentile.
- All share grants are allocated at face value not fair value.
- Share grants are satisfied by equity purchased on-market.
- Termination payments do not exceed 12 months fixed pay.
- Vesting in a takeover or “change of control” event is at the discretion of the Board.
- The Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

Areas for Improvement

- LTI hurdles are measured over three years, not ASA’s preferred four years or more after issue.
- Specific disclosure is not provided for KMP STI performance hurdles, and the weightings applied for each incentive. The report however states that targets and weightings will be disclosed in FY22

Conclusion on Remuneration

Tabcorp’s remuneration framework has improved over time with most of ASA guidelines being met. Therefore, we propose to vote in favour of this resolution.

Item 4	Grant of Performance Rights to CEO/Managing Director David Attenborough
ASA Vote	For

Please refer to assessment under item 3.

Monitor Shareholding

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

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