

Aiming for Responsible Business, Sustainable Destinations

Company/ASX Code	The Star Entertainment Group/SGR
AGM time and date	10.00am QLD time (AEST) Thursday, 9 November
Location	The Star Gold Coast, Broadbeach, Qld and online through Lumi
Registry	Link Market Services
Type of meeting	Hybrid
Monitor	Steven Mabb assisted by David Loosemore
Pre-AGM Meeting	Yes with Chair David Foster, Chair of Remuneration and People Committee Michael Issenberg and Group Manager of Shareholder Relations Jennie Yuen.

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2	Election of Mr David Foster as a Director	For
3	Election of Mrs Deborah Page as a Director	For
4	Election of Ms Toni Thornton as a Director	For
5	Election of Mr Peter Hodgson as a Director	For
6	Remuneration Report	For
7	One-Off Retention Equity Grant of Service Rights to CEO Mr Robbie Cooke	Against
8	FY24 LTI Incentive Award to Mr Robbie Cooke	For
9	Ratify the issue of shares under the placement announced in Feb 2023	For
10	Ratify the issue of shares under the placement announced in Sep 2023	For
11	Proportional Takeover Provisions in Constitution	For
12	Conditional Spill Resolution	Against

2. Summary of Issues and Voting Intentions for AGM

It has been another full year of announcements, media coverage and ongoing issues for The Star Entertainment Group in FY23 and one of the more challenging companies with an ongoing news flow that your monitors have had to cover. You can find more detail in section 3.

Shareholders have endured a painful year in the wake of a multi-year trend of considerable falls in reputation and the share price, alongside substantial dilution resulting from two capital raises.

The three major issues we will focus on are -

- Assessment and election of new Directors who are responsible for overseeing the success of the remediation plan that has been developed, which includes approximately 550 milestones to be actioned over a multi-year period.
- One off retention grant to the CEO without any hurdles beyond remaining employed, which we do not believe is suitable or necessary.
- More detailed Board skills matrix moving forward rather than the current table format, so shareholders can more accurately assess specific skills each Director brings to the company.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Some of the key issues and announcements for the year were:

- \$100m fines levied in both New South Wales and Queensland where Star was found to be unsuitable to run casino operations with compliance breaches.
- Four class actions underway in the Supreme Court of Victoria alleging misleading conduct in relation to market disclosures.
- Commencement of civil penalty proceedings by AUSTRAC for money laundering issues.
- In February 2023, an \$800m non-renounceable rights offer and institutional placement.
- In September 2023, a \$750m non-renounceable rights offer and institutional placement.
- An impairment to the value of the operating assets amounting to \$2.2 billion.
- The introduction of new lower casino duty rates in New South Wales.
- Increased competition from Crown Casino in Sydney.
- Reduced customer spending, possibly due to the cost of living crisis and heightened regulatory controls.
- A comprehensive replacement of the Board and senior management positions, accompanied by a reduction of approximately 500 employee positions.

With the comprehensive change of management and Directors over the past couple of years the company has an entirely new Board now in place and a number of new management including the CEO, Chief Legal Officer and Chief Risk Officer. This is an important point for shareholders to note, as while its tempting to keep venting frustration with the company for past failures, the new team

members that have committed to changing the culture and rebuilding the company and its reputation were not personally responsible for previous issues or involved in those decisions.

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	-2435.2	-202.5	57.9	-94.6	198
UPAT (\$m)	41.3	-33.4	116.4	120.8	224
Share price (\$)	1.07	2.79	3.69	2.84	4.12
Dividend (cents)	NIL	NIL	NIL	10.5	20.5
Simple TSR (%)	-61.7	-20.0	29.9	-26.0	-12.0
EPS (cents)	-211.7	-21.3	6.1	-10.3	21.6
CEO total remuneration, actual (\$m)	1.136	1.960	1.729	2.385	3.33

Governance and culture

The annual report has a good deal of detail on what is being done to change and improve the culture of the business going forward and is well worth reading. There is a thorough remediation plan in place now and it appears the Board and management team are taking ownership of the problems from the past. With a completely new Board in place there has been a massive overhaul of those responsible for Governance.

The Board is now made up of four Independent Directors plus two more seeking election and an Executive Director in the new CEO Robbie Cooke. It seems to have a good mix of diversity of experience and appropriate skills, including some relevant gaming experience, legal, accounting and financial services plus a mix of unlisted and large listed company Directorships amongst the Board members. The workload of the current Board looks reasonable, given the Chair is retiring from one of his existing Chair roles elsewhere.

We would like to see an improved Board skills matrix moving forward as the current version is a table that doesn't list each Directors specific skills and in turn what value they add to the Board. We would also request that Directors are scored based on extensive or expert skill rather than general awareness etc.

We also appreciate the Company continuing to offer a hybrid AGM so all shareholders can participate fully.

Key events

There have been many significant events over the past year most of which have been detailed elsewhere in this report and also the Annual Report.

There have been two capital raisings in 2023 on a non-renounceable rights basis. While we much prefer a renounceable raising (PAITREO) where all shareholders are compensated whether they

participate or not, given the size and complexity of The Star's issues, it is not unreasonable for it to also anchor the raise with an institutional placement to reduce uncertainty around the price prior to the rights issue.

Key board or senior management changes

There have been extensive changes with the Board and Management as detailed elsewhere in this report and the Annual Report. These changes are to be expected given the significant failings under the previous leadership.

Sustainability/ESG

The Company has created its second sustainability strategy titled – Responsible Business, Sustainable Destinations. While your monitors are unable to assess or validate the specifics or accuracy of what is shared, the report is well laid out and easy to understand. As examples the company is tracking to achieve Net Zero by 2030, is reducing water usage, using more compostable packaging and planting 120,000 trees over the next 2 years. They are also working on Safer Gambling practices which are designed to minimise harm to players and this includes welfare checks, self-exclusions and training team members to be on the lookout for problem gamblers.

4. Rationale for Voting Intentions

Resolution 2 - Election of Mr David Foster as a Director

Mr Foster has good experience as a Director and Chair of large listed companies including Bendigo and Adelaide Bank and at G8 Education. He has a number of suitable qualifications including an MBA, plus as a former CEO at Suncorp and as a Fellow of the Australian Institute of Management and as a Senior Fellow of the Financial Services Institute. As incoming Chair of the Bendigo Bank, he has a considerable workload however as he intends to retire from the G8 Board after the AGM in May 2024, we are willing to support his election. As at the date of the Annual Report he held 13,948 shares in the company.

Resolution 3 - Election of Mrs Deborah Page as a Director

Mrs Page has good experience as a Director of large listed companies including Brickworks and Growthpoint Properties. She has a number of suitable qualifications including as a Chartered Accountant and as a Fellow of the Australian Institute of Company Directors. She is also a member of Chief Executive Women and a member of the Takeovers Panel and we are willing to support her election. As at the date of the Annual Report she held 35,500 shares in the company.

Resolution 4 - Election of Ms Toni Thornton as a Director

Ms Thornton has experience as a Director currently at G8 Education. In addition she also has experience on non-listed entities including CS Energy and South Bank Corporation in Qld, Habitat Early Learning and Triathlon Queensland. She has a number of suitable qualifications including a Law Degree, a Graduate Certificate in Finance and from senior roles she held at Goldman Sachs and National Australia Bank. We are willing to support her election assuming she receives regulatory approval by the date of the AGM.

Resolution 5 - Election of Mr Peter Hodgson as a Director

Mr Hodgson has experience as a Director and is currently also the Chair of Judo Bank and has also been Chair at Save the Children Foundation. He has a number of suitable qualifications an Arts Degree and membership of the Australian Institute of Company Directors. In addition, he previously was Chief Risk Officer at ANZ and was also CEO of Myer Family Investments. We are willing to support his election assuming he receives regulatory approval by the date of the AGM.

Resolution 6 - Remuneration Report

This is one of the less complicated Remuneration reports your monitors have read for a few reasons and is well laid out and fairly easy to understand.

Firstly the Board has chosen not to award any short term incentives (STI) in FY23 in light of the many issues the company has experienced for the year and performance against the hurdles.

In addition the Board reduced their own base and committee fees by 10% in May and June.

The long term incentive (LTI) was tested against multiple hurdles including Total Shareholder Return (TSR) and Return on Invested Capital (ROIC) and as they were not met LTI was forfeited in full for the year. The LTI is measured over 4 years which is supported by ASA.

On target STI for the CEO is 60% of fixed remuneration and on target LTI is 100% of fixed remuneration.

STI is measured against a suitable mix of items including Group Net Profit After Tax, Guest Satisfaction surveys, Regulatory Compliance and Individual Performance. Only 33% of STI is paid in equity and ASA would prefer at least 50%.

In FY23 LTI was measured against a good mix of items, split between TSR, ROIC and Earnings Per Share (EPS) growth. For FY24 though the LTI will only be measured against TSR with 30% also requiring a retention of their license to operate. The Board is concerned that it is too difficult to forecast the right EPS or ROIC targets in the upcoming year. We advised that we would accept that compromise this year but going forward need to see a second metric added to TSR, such as EPS growth or ROIC.

In general the remuneration structure and amounts seem fair and well aligned with shareholders, customers and regulatory requirements moving forward.

One downside of no STI and LTI being awarded for the year is it has possibly led to the decision to award a retention grant of equity to the CEO as detailed in Resolution 7.

Resolution 7 - One-Off Retention Equity Grant of Service Rights to CEO Mr Robbie Cooke

While we have some understanding of the Boards desire to retain Mr Cooke given the significant challenges and work ahead, we do not believe one off retention payments without any hurdles beyond remaining employed are suitable. If need be, an increase in fixed remuneration is preferable, which of course he could use to purchase shares on market like other shareholders. Mr Cooke has the potential to earn \$4.16 million for on track performance in FY24, which should be ample to retain his services if he is committed to the business. Therefore, we do not support this resolution.

Resolution 8 - FY24 LTI Incentive Award to Mr Robbie Cooke

The FY24 LTI award for the CEO is \$1.6 million and is awarded as 70% in performance rights (equity) tied to relative TSR measured over 4 years. The remaining 30% is awarded as premium exercise priced options and requires the company to return to suitability to hold a casino license in QLD and NSW which seems like an appropriate goal. We advised that we would accept TSR as the only measure for FY24 and support the resolution but going forward would require a second appropriate metric be added.

Resolution 9 - Ratify the issue of shares under the placement announced in Feb 2023

While we would have preferred a renounceable entitlement offer, retail shareholders did receive a reasonable and fair opportunity to participate in a non-renounceable entitlement offer, with the same discount as the institutional placement and as such we are willing to support this resolution.

Resolution 10 - Ratify the issue of shares under the placement announced in Sep 2023

While we would have preferred a renounceable entitlement offer, retail shareholders did receive a reasonable and fair opportunity to participate in a non-renounceable entitlement offer, with the same discount as the institutional placement and as such we are willing to support this resolution.

Resolution 11 - Proportional Takeover Provisions in Constitution

We are willing to support this resolution, as we prefer full takeovers or the opportunity to vote on any partial takeover offers.

Resolution 12 - Conditional Spill Resolution

Should a second strike be recorded against the remuneration report this year, a spill of the Board is required to be voted on. Given the comments made earlier in this report about the composition, skills and diversity of the Board who have all been appointed in the past 18 months, we will not support this resolution.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.600m	38.5%	1.600m	34.5%
STI - Cash	0.643m	15.3%	0.950m	20.5%
STI - Equity	0.317m	7.7%	0.490m	10.5%
LTI	1.600m	38.5%	1.600m	34.5%
Total	4.160m	100.0%	4.640m	100.0%

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. Some remuneration framework set a maximum opportunity amount, but not all.