



Will The Star shine again?

Company/ASX Code	The Star Entertainment Group/SGR
AGM date	Tuesday 22 November 2022
Time and location	10am Queensland Time at The Star, Gold Coast, Broadbeach, Qld.
Registry	Link Market Services
Type of meeting	Live and online webcast with phone facility (for questions).
Poll or show of hands	Poll on all items
Monitor	Carol Limmer assisted by Gary Barton.
Pre AGM Meeting	Yes with Chair, Ben Heap, Chair of Remuneration, People & Social Responsibility Committee, Katie Lahey and General Manager, Business Development & Investor Relations, Mark Wilson

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

Summary of issues for meeting

The significant issues for The Star Entertainment Group (SGR) relate to the regulatory reports in relation to both NSW and Qld where SGR was essentially found to be unsuitable to run casino operations with compliance breaches concerning criminal links and money laundering on a wide scale. The severe deficiency in NSW has been very widely publicised through reports released from Regulators, in ASX Releases by SGR and in the media over many months. SGR website has a lot of information on this serious matter and suffice to say much remediation is necessary to gain trust of shareholders. On 3 November 2022, SGR received show cause notices from the Queensland Regulator, the Office of Liquor and Gaming Regulations (OLGR). Three Qld subsidiaries are affected by this and the notices are available on the Star's website at <https://starentertainmentgroup.com.au/transformation/>. The notices relate to matters arising from the independent external review into the operations of SGR's casinos in Qld. The notices set out the potential disciplinary actions which may be undertaken - ranging from taking no further disciplinary action to one or more of: letter of censure, written directions, a penalty of up to \$100m, cancellation or suspension of the relevant casino licence or the appointment of a special manager. SGR has 21 days to respond.

SGR had engaged an Independent Monitor, Allen & Overy Consulting to provide comments on the design and implementation of their Remediation Program. Allen & Overy has released their findings which includes the comment that 'Based on this fieldwork in our opinion the Program is sufficiently developed for the TSEG Board to consider commencing the execution phase'. A copy of the full report from Allen & Overy is on SGR's website. There will be reports on progress each quarter. Allen & Overy will be involved with SGR for a minimum of 2 years and possibly longer.

So The Star is going through a big era of change and in the words of the Board Chair '...to transform our business and ensure nothing like this ever happens again. There is still much work

to be done....' He has also extended an unreserved apology to their approximately 73,000 shareholders and 8,000 team members.

Aside from the regulatory issues, there has been the COVID-19 Pandemic with some closures of venues which would have materially affected earnings. Performance was also impacted by the company's suspension of all domestic and international rebate programs and costs related to starting on the Remediation Plan. FY22 was the third consecutive year where operations were affected by ongoing COVID-19 impacts. Nevertheless, following shutdowns and various other related restrictions there was a rebound in the second half of the year, particularly in the 4th quarter.

Shareholders have suffered from 2 years where no dividends were paid and in recent years the Share Price has also declined.

There are two Class Actions lodged against SGR in relation to the period between 29 March 2016 and 16 March 2022 – one from Slater & Gordon and the other from Maurice Blackburn. SGR intends to defend the proceedings. It is likely that the Court will select one or the other or do the cases together with timing a fair way out – say 2024/2025. It is somewhat difficult to quantify the possible impact in a financial sense but SGR has insurance arrangements which may assist.

During the year the Dorset Hotel and SGR Residences opened on Gold Coast and construction of a 63-floor mixed-use tower is also underway there. Once their two Gold Coast towers are completed SGR will have about 1400 more hotel rooms and residences as well as more bars and restaurants. SGR has secured approval from Qld's government for another \$2bn construction masterplan on that location. The big development at Queens Wharf in Brisbane is expected to open in 2nd half of 2023. In NSW SGR are working towards a new luxury hotel, a theatre precinct and new rooftop dining.

The relationship with their Hong Kong based partners is still working fairly well – they continue to be supportive.

SGR is also continuing to look for appropriate opportunities for asset sales.

Crown was eventually taken over by Blackstone. There is always the possibility that this could also happen at SGR. SGR is working on their Remediation program and Transformation so as to work towards being able to compete effectively with any private equity interest.

The terms of payment for the \$100m fine are yet to be worked through. It is understood that SGR has been given an opportunity to make suggestions as to how it is paid and how the money may be effectively used.

In relation to its People, their Engagement Survey scores have not changed significantly.

There is a Special Administrator from Regulator in place at the Sydney Casino and that is going reasonably well. There is the possibility of a similar arrangement being introduced by the Regulator in Qld.

There is a question around whether the Auditor could have picked up on the SGR's significant problems. It is noted that their Audit partner at EY has changed and would assume that the Auditor will be looking to highlight any compliance/cultural issues if identified in the future.

There is a typographical error on Page 64 of Annual Report. The %s for At Target Fixed Rem, STI Cash, STI Deferred and LTI for CEO & MD and KMP should be 38.5, 15.3, 7.7 & 38.5 and 47, 17,8 & 28 respectively.

In FY21 Political type donations were \$120,088. The amount for FY 2022 is yet to be announced/disclosed. This is said to be for functions/events. No money goes to State governments.

Proposed Voting Summary

No.	Resolution description	
2	Election of Mr Michael Issenberg as a Director	For
3	Election of Ms Anne Ward as a Director	For
4	Election of Mr David Foster as a Director	For
5	Approval of Remuneration Report	For
6	One-off Grant of 580, 383 Performance Rights to Mr Robbie Cooke	For
7	FY 2023 Grant of 581,670 Performance Rights to Mr Robbie Cooke	For
8	Approval of Potential Retirement Benefits for Mr Robbie Cooke	For

Summary of ASA Position

Consideration of accounts and reports - No vote required

Governance and culture

The Annual Report is well set out and comprehensive. Included are statements on Sustainability, Responsible Gambling and Service of Alcohol, Environment, Resource Efficiency, Modern Slavery, People, Talented Teams, Asset Protection, Neighbourhood Engagement, Community & Charitable Partnerships and Diversity & Inclusion

Despite the good words in their statements on matters such as ESG, Corporate Governance etc the struggling SGR has a long way to go to prove to shareholders that it has fully recovered from serious compliance and culture problems. Shareholders will be seeking actions not just words. SGR has a major remediation and transformation program underway and regular updates will be provided.

Key Board or senior management changes

SGR is committed to a program of Board renewal in a timely manner. There have been quite a number of Board Director and Senior Management changes. Further comments on Board changes are set out below under 'Election of directors.'

With senior management, the CEO & MD, Matt Bekkier, has departed – he essentially took main responsibility for the widespread bad culture and other issues. CFO, Harry Theodore, Chief Casino Officer, Greg Hawkins, Chief of Staff, Kim Lee, and Chief Legal & Risk Officer and Company Secretary, Paula Martin have also all departed. Geoff Hogg who had been acting in the CEO role

will be departing soon. Christina Katsibouba has been the interim CFO. Senior Management recruits have been Robbie Cooke as CEO & MD, Scott Wharton as CEO of the Star Sydney and Group Head of Transformation, Scott Saunders as Group Chief Risk Officer, Nawal Silfani appointed as an additional Company Secretary and only just recently Betty Ivanoff has been poached from Crown to take up role of Chief Legal Officer – she will commence once her 6 month non-compete period expires. Once these various changes are in place 3 out of 6 in the Senior Management Team/KMP will be female. Understand from Board Chair that the new people are coming together well.

Financial Performance

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	-202.5	57.9	-94.6	198	148.1
UPAT (\$m)	-33.4	116.4	120.8	224	258
Share price (\$)	2.79	3.69	2.84	4.12	4.93
Dividend (cents)	NIL	NIL	10.5	20.5	20.5
Simple TSR (%)	-20.0	29.9	-26.0	-12.0	1.0
EPS (cents)	-21.3	6.1	-10.3	21.6	17.5
CEO total remuneration, actual (\$m)	1.960	1.729	2.385	3.33	4.375

Notes

- CEO Remuneration relates to previous occupant in the position, Mr Matt Bekkier, who has departed from SGR and just recently been replaced by Mr Robbie Cooke.

Election of directors The previous Board Chair, John O’Neill, and Director, Sally Pitkin, have both retired from SGR some months ago and just recently Gerald Bradley has lodged his notice of resignation. At least one other Director will likely retire in the new year. Directors Michael Issenberg, Anne Ward and David Foster are being put forward to shareholders for election at the AGM. Regulatory approvals have been received for Mr Issenberg with appointments of Ms Ward and Mr Foster still being subject to all regulatory approvals being obtained. There may be a few other Directors coming on board.

There will be a majority of independent directors and 2 of the 6 independent Directors will be female. There is one executive director on the Board ie newly appointed CEO & MD, Robbie Cooke, who has replaced Mr Matt Bekkier. Prior to Robbie Cooke’s appointment Ben Heap filled the role of Interim Board Chair and Executive Director. Mr Heap is now the Board Chair.

A Board Skills Mix is included in the Corporate Governance Statement. It outlines the number of the five directors at the time of the report who are considered to hold or represent each skill/experience set.

There is a policy covering directors having certain levels of shareholdings in the company ie skin in the game.

Brief comments on proposals for Election of Directors follow. More details are available in the Notice of Meeting and Annual Report.

Item 2.

Mr Michael Issenberg

Has been a Non-Executive Director (NED at) SGR since July 2022 following receipt of all necessary regulatory approvals. Holds Dr of Philosophy (Governance), Master of Laws and Bachelor of Laws, FAICD and has a BS in Hotel Administration. He is a member of Audit, the Risk, Compliance & Regulatory and Remuneration, People & Social Responsibility Committees. He is an experienced executive and director with over 40 years' experience in the hotel industry (including Chairman of Reef Corporate Services, executive roles in AccorHotels, Chairman and CEO of AccorHotels Asia Pacific and CEO of Mirvac Hotels). He is currently Chairman of Tourism Aust and a Lifetime Member of Tourism & Transport Forum and the Cornell Hotel Society.

Mr Issenberg is considered well qualified to be on Board of SGR.

Items 3 & 4

The appointments of Ms Ward and Mr Foster are subject to all regulatory approvals. If the required approvals are not received by the AGM their proposed shareholder approvals will be deferred until the 2023 AGM

Ms Anne Ward

Appointed as NED in August 2022, subject to regulatory approvals. Is a Barrister and Solicitor. Holds FAICD, Bachelor of Laws and Bachelor of Arts. She is a member of the Audit, the Risk, Compliance and Regulatory Performance and Remuneration, People & Social Responsibility Committees. Ms Ward is an experienced company director with expertise in business management, strategy, governance, risk and finance and has quite broad industry experience spanning financial services, banking, insurance, technology, healthcare, government, education, tourism and entertainment. She has considerable experience in complex governance and risk management in highly regulated industries. She retired from the board of Crown Resorts Ltd following completion of takeover by Blackstone in June 2022. She is currently Chair of software provider, Symbio Holdings Ltd and Redbubble. She has been on Board of Colonial First State Investments Ltd, Qantas Superannuation Ltd, Zoos Vic, MYOB Group Ltd and Flexigroup Ltd. As part of Council of RMIT Uni she contributed to an uplift in governance for Aust. University sector. Prior to her professional director career she was a commercial lawyer for 28 years, was General Counsel for Aust at NAB and a partner at Minter Ellison.

Ms Ward is considered well qualified to be on Board of SGR.

Mr David Foster

Appointed as NED in August 2022, subject to regulatory approvals. Holds, Senior Fellow of Financial Services Institute of Aust, FAIM, GAICD, MBA and Bachelor of Applied Science. He is a member of Audit, the Risk, Compliance & Regulatory Performance and Remuneration, People & Social Responsibility Committees. Mr Foster has had a career of over 25 years in the financial services sector, including over 5 years as CEO at Suncorp (up until end of 2013) where he had responsibility for navigating the Bank through the global financial crisis and delivering a significant turnaround and restructuring. He is an experienced Chair and NED in diverse range of industries including financial services, retail, government, education and professional services. Mr Foster is

currently a NED at Bendigo and Adelaide Bank Ltd and G8 Education Ltd (both are ASX listed as well as NED of Aust Reinsurance Pool Corp. He will be stepping down from the Chair role of Motorcycle Holdings Ltd in December 2022. He was formerly on Boards of the Regional Investment Corp and Genworth Mortgage Insurance Aust.

Mr Foster is considered well qualified to be on Board of SGR.

Adoption of Remuneration Report

The Annual Report includes an introductory letter from the Chair of the Remuneration, People & Social Responsibility Committee with information on remuneration policies and various recent remuneration outcomes along with further comprehensive details following on from that letter.

The FY21 Remuneration Report received 98.02% of votes in favour of the resolution.

The outgoing Executive KMP are/were not eligible for payments under the Short Term Incentive (STI) nor Long Term Incentive (LTI) plans.

Page 64 of the Annual Report illustrates the Remuneration Mix for CEO & MD and Executive KMP.

In FY21 SGR introduced a new STI design for FY 2022 with positive changes. The new design makes payments in relation to the achievement of 4 company metrics, and a portion relating to individual performance. See Section 4.3 of Annual Report.

2 of the 4 metrics were achieved for FY 2022 and partial awards have been made - Section 5.1 of Annual Report.

For the 2023 STI plan design, there will be an increase to the weighting of the Group Regulatory Compliance and Risk Management metric from 10% to 20% to place greater emphasis on this critical area. The Group Normalised NPAT target weighting will reduce from 50% to 40%.

The various STI design factors align with ASA's guidelines.

The FY18 LTI was tested and did not vest as performance hurdles were not met. The FY19 LTI has been just recently tested and not been paid as hurdles were not reached.

LTI design aligns with ASA's guidelines except for 50% payment at 50th Percentile in relation to TSR. This could be more rigorous.

The Appendix outlines the CEO & MDs Remuneration in terms of Fixed/STI/LTI – in brief, his Fixed is \$1.6m, STI is \$0.960m at Target (Maximum \$1.440m) with two thirds paid in Cash and one third paid in Restricted Shares deferred for 1 year and LTI is \$ 1.6m. In addition, there is a One-Off Grant of Performance Rights to him as part of his recruitment arrangements (See Item 6 below).

Actual Remuneration is disclosed in Annual Report.

There is a policy regarding minimum shareholdings by KMP.

Item 6

One-off Grant of Performance Rights to Mr Robbie Cooke

At the time of announcement of Mr Cooke's appointment, SGR announced a one-off grant of Performance Rights as a sign-on incentive. In the interests of good governance, shareholder approval is being sought. If approval is not received, he will be paid the cash equivalent of the Rights three years after the grant date, subject to continued employment and the performance

hurdles being met. His Fixed Remuneration at \$1.60m and STI and LTI components are lower than the previous CEO&MD. This allocation of Performance Rights also affords a degree of security in the event of a takeover of SGR. With the current and future challenges faced by SGR it was important to secure a person with talents as held by Mr Cooke – has very good leadership qualities and is strong on cultural values. The performance rights will only vest if the performance hurdles are met at three years.

The design aligns with the features of SGR’s general LTI plan.

Full details are clearly set out in the Notice of Meeting.

In all the special circumstances it is proposed to vote proxies in FAVOUR of this resolution.

Item 7

FY23 Grant of Performance Rights to Mr Robbie Cooke

It is proposed that 581,670 Performance Rights equivalent in value to \$1.6m be granted. Full details for this proposal are outlined in the Notice of Meeting.

The design of SGR’s LTI plan aligns with ASA guidelines except for the Vesting Scale for the TSR performance hurdle which allows 50% vesting at the 50th Percentile – this could be more rigorous.

It is proposed to vote open proxies in FAVOUR of this resolution.

Item 8

Approval of potential retirement benefits for Mr Robbie Cooke

Again, as with the other Remuneration type benefits, full details are comprehensively laid out in the Notice of Meeting. It is essentially based on 12 months’ notice and so in line with ASA guide. Various circumstances of departure are covered in the Table on Page 17 of the Notice of Meeting.

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Appendix 1 Remuneration framework detail

CEO rem. Framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.60	38.5%	1.60	17%
STI - Cash	0.637	15.3%	1.00	16%
STI – Equity-Restricted Shares	0.323	7.7%	0.440	16%
LTI	1.60	38.5%	1.60	52%
Total	4.16	100.0%	4.64	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.