



Viva Energy Group 2021 AGM Report

ASX Code	VEA
Meeting Time/Date	3pm, Wednesday 26 May 2021
Type of Meeting	Virtual using Link platform
Proxy Collector	John Whittington
Pre AGM Meeting?	Yes, with Chair Robert Hill, Company Secretary Julia Kagan, Amanda Fleming, Chief People & Technology Officer, and Cameron Sinclair, Investor Relations

Few Questions Following a Difficult Year

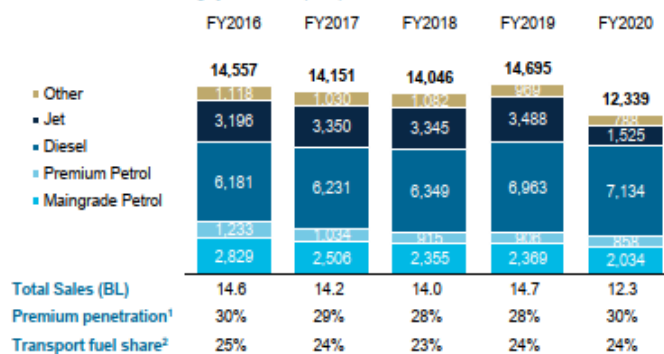
What the Company Does

Viva Energy makes, imports, blends, and delivers fuels, lubricants, solvents and bitumen throughout Australia. They are the exclusive supplier of Shell fuels and lubricants in Australia and in 2020 supplied approximately a quarter of Australia's liquid fuel requirements. They operate the Geelong Refinery which is now one of only two remaining refineries in Australia.

Developments in the Financial Year

2020 was a tough year in the oil industry with a collapse in oil prices early in the year and Covid which significantly impacted fuel volumes, particularly in aviation.

Sales volumes by product (ML)



Average Aviation sales per quarter (ML)



Source: Viva Energy Group FY2020 Results Presentation

The result was a year where underlying NPAT was down \$172m to a loss of \$36m and dividends were suspended.

Summary of Historical ASA Issues with the Company

Viva was privately owned until July 2018 when it was listed in an IPO. As it has only had a limited time as a listed company it still retains some legacy issues from its previous ownership, mainly in areas of transparency. We have voted against the Remuneration Report since listing due to:

- Lack of disclosure of targets, actual remuneration, performance achieved by executives, and calculation of metrics used in targets.
- Too short a performance period for long term variable remuneration payments.
- High Non-Executive Director Fees.

Debate and Voting at the AGM

The Chair and CEO spoke well in [their presentations](#) which covered the difficulties of the year and what the company did to address both the challenges of Covid and refining in Australia in the current environment. There were significant reductions in recordable injuries and loss of containments events and the company used the down time to bring forward heavy maintenance.

Strangely, in contrast to previous meetings, the only questions asked were from the ASA. We asked whether the company would repay the JobKeeper payments it received (no), about progress on getting retail fuel volumes through Coles Express back to targeted levels (not recovered to pre-Covid levels but was 61m litres in March), and how Viva's performance is related to the global crude price (most is passed on to customers, major factor is on inventory whose value will go up and down with crude price).

On remuneration, we complimented the company on the significantly improved Remuneration report, however indicated our concern about the lack of a table of actual remuneration and lack of transparency about how metrics are calculated. We summarised our view of the report as moving from negative to borderline. Whilst we voted against, we were in the minority with over 99% voting in favour.

Two directors were up for election who both spoke well to their election. We appreciated the increase, in many cases significant, in director shareholdings but noted that all still had some way to go to get to what we would consider adequate "skin in the game". The chair indicated that the board have self-imposed targets of holding one year's remuneration in equity within five years and said they will meet this commitment. We supported both directors who were easily elected with over 98% support.

The final item was on the CEO's performance rights. We asked for better alignment of the length of long-term incentives with the long-term planning horizon of the company, particularly given the long-term Geelong Energy Hub project. The Chair indicated the board had some sympathy with these views but didn't want to chop and change plans from year to year, however they would consider how to include a longer-term perspective in the future. Like the Remuneration report, whilst we voted against, we were in the minority with over 99% voting in favour.

And that was it. With no other questions the meeting was over in 51 minutes.

The Australian Financial Review [reported on the meeting](#) the following day, mainly focussing on our JobKeeper question.

Outlook Statements from the Company

The company made no outlook statement at the meeting which is probably no surprise given the uncertain nature of the refining business in Australia at present. The recently announced (but not yet legislated) Federal Government Fuel Security Package is expected to commence from 1 July 2021, last for up to nine years, "is designed to provide material support during periods of low refining margins, effectively reducing the Company's breakeven margin" and "includes a significant contribution to upgrade the refinery to improve fuel standards and reduce vehicle emissions".

Most of the Company's future focus is on the Geelong Energy Hub project which will start with an inbound LNG gas terminal due to come on stream in 2024 if approved in early 2022. Other areas of focus are the development of renewable transport energies, particularly the commercialisation of hydrogen as a fuel for heavy vehicle applications.

Meeting Statistics

Number of Holdings Represented by ASA	22
Number of Shares represented by ASA	166,941
Value of Shares represented by ASA	\$0.346 m
Number Attending Meeting	4 shareholders, 1 proxy holder, plus 65 visitors
Market capitalisation	\$3.34 bn
Were proxies voted?	Yes, on a poll

Monitor Shareholding

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

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