



A challenging year but the reels are still rolling, particularly on-line.

Company/ASX Co	Aristocrat Leisure Ltd (ALL)
AGM date	Friday 26 February 2021
Time and location	Virtual (on - line) at 11am
Registry	Boardroom Ltd
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Carol Limmer assisted by Sue Erbag
Pre -AGM Meeting?	Yes, with Chair of HR and Remuneration Committee, Ms Kathleen Conlon, and Corporate General Counsel & Company Secretary, Mr Richard Bell

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

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

Summary of ASA Position

ALL regards itself as a technology company – it is essentially a slot/gaming machine assembler. Their principal activities are design, development and distribution of gaming content, platforms and systems, including electronic gaming machines, casino management systems and, increasingly, digital social games. The acquisitions of Plarium Global Ltd (free-to-play, social and web- based game developer) and Big Fish Inc (global publisher of free-to-play games) in past few years have added to their Digital Segment. The major portion of revenue is sourced from Americas, especially USA. ALL operates in 328 licensed jurisdictions, 84 countries and has over 6,000 employees. ALL is dominant in gaming machine market with the other larger players being International Technology and Scientific Games. ALL is conscious of need to continue to invest in technology to remain competitive and differentiate itself.

Through 2020 ALL took the opportunity from the Pandemic crisis to improve eg pivoted to a ‘people first’ focus, energising their culture and offering more support, flexibility and recognition to their global team. Engagement scores above industry benchmarks were achieved. An example of work in relation to it people is that ALL has created a new US Leaders program to help it source and train talent from the US graduate pool for future roles in ALL. This is a good move as ALL has expressed the challenges faced in recruiting and retaining executive talent in the competitive US market. An internal training program for talented young graduates may increase loyalty within the workforce as they are developed and promoted through the ranks as well to ensuring a steady pool of talent for future executive roles.

The company sees itself well placed for future growth with good liquidity, low debt and a balance sheet providing future options.

Given that the majority of revenue is sourced from USA and some senior executives, including CEO, as well as 2 Directors (one in Reno and one in Las Vegas) are based there the Board does regularly review issue of offshore listing but for the time being ALL can manage current arrangements.

Governance and culture

Due to the large number of jurisdictions in which ALL operates and the fairly strict requirements from various regulators the company is very conscious of governance, risk and compliance management. ALL also has a strong regard for culture, seeing it as important in terms of attracting and retaining talent in what is a competitive global environment for ALL.

ALL continues to update/expand existing content on issues such as responsible gaming as well as an increasing level of interest by stakeholders in areas such as energy and environment.

ALL has 50% female NEDs. There is a policy requiring NEDs to maintain 'skin in the game' with ALL shareholdings. At this year's AGM ALL is seeking approval for NEDs to salary sacrifice their fees into equity.

Cuts of around 10 to 20% were applied to base salary of about 1700 employees from 1 May to 30 September 2020. The CEO's base pay was reduced by 30% and senior executives took a decrease of 20% in remuneration for the same period.

ALL did receive Government monetary assistance due to impacts of the Pandemic.

The Annual Report details well ALL's principal risks with description of each along with commentary as well as management and mitigation strategies. Briefly, the identified principal risks are Business Resilience – Responding in the face of a Pandemic or Unplanned Operational Incident; Customer – Maintaining and Growing Gaming Customer Market Share; People – Attraction and Retention of Talent; Health and Safety – Maintaining the Health and Well-being of Our People; Cyber Security/Data Privacy – Securing and Controlling Information Assets; Social Responsibility – Maintaining our Social Licence to Operate; Economic and Industry Conditions – Responding to Macro and Gaming Industry Conditions; Geopolitical – Operating in Unstable Geopolitical Environments; Disruption – Responding to Increasing Competition including Disruption; Gaming Regulations – Changing Government Gaming Regulations; Distribution Platforms – Over- Reliance on 3rd Party Distribution Platforms; Intellectual Property – Protecting our Intellectual Property; Balance Sheet and Liquidity – Financial Strain Heightened by COVID-19.

Financial performance

Like many other companies ALL had a uniquely challenging year due mainly to COVID – 19 and financial performance for the year was down on previous year's result. Up until the Pandemic struck ALL was in line with its strategic objectives.

After gaining consecutive profit increases for some years NPAT at \$357.1m less than 2019 (\$752.8). Likewise, dividend of 10c (there was no interim dividend) was less than the 56c of previous year and EPS also decreased – 53.0c compared with 118.0c.

Share price has now rebounded to pre-COVID level.

Balance sheet overall is in good condition and company has a sound cash position.

Key Board or senior management changes

Mr Steve Morro stepped down from the conclusion of last year's AGM. He has valuable expertise/experience and has continued his association with ALL as a consultant to management. Mr Morro was previously the Lead US Director and that 'role' is now filled by Mr PJ Ramsey.

Mr PG Etienne was formally appointed in November 2019.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	357.1	752.8	542.6	495.1	350.2
UPAT (\$m)	476.6	894.4	655.3	543.7	398.2
Share price (\$)	30.37	30.60	28.44	21.0	15.81
Dividend (cents)	10.0	56.0	46.00	34.0	25.0
TSR (%)	-2%	10%	38%	35%	87%
EPS (cents)	53.9	118.0	96.5	77.5	55.1
CEO total remuneration, actual (\$m)	5.27	5.33	4.3	3.2	6.8 *

- Share price growth is included in remuneration figures.
- 2016 remuneration figure relates to previous CEO.
- 100% of Performance Share Rights (PSRs) have vested in years 2016 to 2019. 68.4% vested in 2020.
- For 2020, the CEO's total actual remuneration was 57 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").

Item 2	Re-election of Mr Neil Chatfield as a Director
ASA Vote	For

Summary of ASA Position

Mr Chatfield was appointed to the Board in December 2017 and became Board Chair in February 2019. He is a Member of ALL's Regulatory & Compliance, People & Culture and Audit Committees. He has a Master of Bus (Finance and Accounting) and holds FAICD.

Mr Chatfield is currently a NED of Costa Group Holdings Ltd and Transurban Group and was previously a NED and Chair at Virgin Aust and Seek Ltd and NED at Recall Holdings Ltd from Sept 2013 until takeover by Iron Mountain Inc and then became a NED at Iron Mountain Inc. He was an Executive Director and CFO at Toll Holdings Ltd from 1997 to 2008. All up he has over 40 years' experience in global businesses across a range of companies and industries.

Mr Chatfield holds 18,000 shares in the company.

ASA intends to support his re-election.

Item 3	Approval for the grant of Performance Share Rights (PSRs) to the CEO & MD under the Long Term Incentive Program (LTIP)
ASA Vote	Against

Summary of ASA Position

CEO rem. Framework for FY21	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.63	22%	1.63	18%
STI - Cash	0.815	11.0%	1.63	18%
STI – Equity	0.815	11.0%	1.63	18%
LTI	4.19	56%	4.19	46%
Total	7.5	100.0%	9.1	100%

The proposal for approval at AGM is for 137,905 PSRs at Face Value of \$ 4.19 m to be granted to the CEO.

ASA has voted against proposed LTI allocation for past few years, with the grant carrying a 24% vote against last year. CEO was granted 145,313 PSRs last year. The CEO's Fixed Remuneration is \$1.63 m. The short term incentive (STI) at Target is 100 % with the maximum being 200%. There is 50% deferral on STI payments – half for 1 year and the other half for 2 years. Both STI and LTI total potential are relatively high but align with advice received by ALL for their US based people (CEO is US based) for variable pay.

No STI payment was made for FY20.

With the LTI there are 3 Performance Hurdles viz Total Shareholder Return (TSR) – 30%, EPS – 30% and Individual Performance - 40%. The Individual Performance hurdle is referred to as an 'OKR' – based on participant achieving or outperforming against objectives and key results over the entire course of the three year performance period ie if the participant does not achieve in one year then the PSRs under that hurdle will not vest.

The Performance Period is 3 years only and vesting at 50% occurs at Median with the TSR hurdle.

ALL has previously informed ASA that in the Technology sector in USA over 80% generally have LTIs 'in the money' at lower levels of performance than normally occurs in Australia.

The CEO currently holds 445,111 PSRs and 387,103 Ordinary Shares in ALL.

PSRs due for testing in 2020 vested at 68.4%.

ASA representatives have previously queried whether PSRs could have a one year holding lock after vesting but ALL has indicated that this would require a larger LTI allocation up front to meet their global competitive situation.

Whilst appreciating ALL's understanding of the USA remuneration arrangements and their relevant global competitive positioning, overall, ASA does not consider that it can support the LTI arrangements – it does not meet our guidelines. And the CEO is well paid.

Item 4	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

See also comments above under Item 3.

Last year ASA voted AGAINST the Remuneration Report but most voting shareholders reasonably happy with a 92% vote in FAVOUR.

As mentioned earlier there were pay cuts applied from 1 May to 30 September to Directors, CEO, Senior Executives, and about 1700 other employees.

The AR comprehensively covers ALL's remuneration and there is an introductory letter from the Chair of the People & Culture Committee.

ALL does have –

- Retrospective disclosure of the actual quantitative targets set by the Board together with actual performance against targets.
- Disclosures on methodologies relating to target setting, including how hurdles are set to ensure challenging stretch targets.
- Clawback provisions.
- 50% deferral into equity on STI payments – half for 1 year and half for 2 years.
- As mentioned earlier there were pay cuts applied from 1 May to 30 September to Directors, CEO, Senior Executives and about 1700 other employees.
- No STIs were awarded for the year.

However, as set out under proposed LTI grant in Item 3 for which it is intended ASA will vote AGAINST, consider we must also vote AGAINST this resolution.

Item 5	Adoption of Non-Executive Director (NED) Rights Plan
ASA Vote	For

Summary of ASA Position

This resolution is asking for approval, and allocation of shares in the company on exercise of the rights, to all NEDs who choose to salary sacrifice a portion of their fees during FY 2021,2022, 2023 and 2024 with implementation not to take effect until receipt of class ruling from Australian Tax Office. Structuring NED fees in this way will support NEDs in building their shareholdings in ALL. There is a policy which encourages Directors to have minimum level of shares in ALL. It helps enhance interests between Directors and shareholders. As it involves salary sacrificing it does not result in an increase in Director fees.

Although ALL currently intends to source the shares through on-market purchase which are excluded from ASX Listing Ruler 10.14, (requires shareholder approval for acquisition of equity securities by NEDs under an employee incentive scheme as defined in the Listing Rules) ALL is nonetheless seeking shareholder approval in interests of transparency and good corporate governance and to preserve flexibility in case it is ultimately considered in ALL’s best interests to issue shares rather than source them on-market.

Full details are set out in the Explanatory Memorandum in Notice of Meeting.

ASA intends to vote FOR this Resolution.

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