

PREMIER INVESTMENTS 2020 AGM DEBATE TRANSCRIPT

Speakers: Solomon Lew (Chairman, Premier Investments)
Marinda Meyer (Company Secretary, Premier Investments)
Dr David Crean (Deputy Chairman, Premier Investments)

Marinda Meyer: The first question that we've received – Premier employs a high proportion of females in its general workforce and at management level. Acknowledging that this most recent board appointment was a female, are there any plans to increase the percentage of female representation on the board from the current level of 22 per cent?

Solomon Lew: I thank the shareholder for the question. Obviously, our largest part of our employment across the group is in the very high 90s and women are very, very important to our organisation. At this point in time, we have two female directors on our board making a wonderful contribution, they are very commercial and very knowledgeable. At this point in time, there are no vacancies on our board, but of course in future as vacancies do become available, we will employ the best people that are available for the position. Thank you.

Marinda Meyer: Next question – Premier has attracted criticism for the payment of executive bonuses whilst receiving JobKeeper payments, for approving a final dividend and for refusing to pay rent to landlords while stores were closed. Can you please comment from the company's perspective on each of those criticisms?

Solomon Lew: I thank the shareholders for the questions. I should point out, as clearly stated in our remuneration report, the bonus reflected relate to the financial year results where our record Premier retail earnings were up 11.5 per cent. This bonus was paid prior to COVID. The bonus paid to Mr McInnes was exactly the same as the prior year. In relation to our FY20 final dividend, the board considered the impact of wage subsidies on the profit and cash position of the company and determined that the net subsidies received were not required for the final dividend, which we called out in our September 2020 financial results.

In relation to questions on rent, our financial year '20 profit reflects full contracted rent. On rent negotiations, we never comment on our confidential commercial negotiations, other than I can assure you we are always working in the best interests of our shareholders. In relation to global wage subsidies, at the time the board took the decision to stand down almost all of our employees, this was done for one reason, to protect the health of customers, staff and the community. At that time, the clear health advice was to stay at home or you risk your health and that of others. The advice was unequivocal.

JobKeeper did not exist, like everyone else, we had no knowledge of how long the crisis would last and whilst our balance sheet put us in a better position than most companies through past good management, we were in no doubt that if the crisis was to endure, that very few retail businesses would survive. When the Government introduced JobKeeper, there were two objectives – to help business to remain viable and also to keep the connection between employers and their workers. But we managed to pivot our business to deliver strong results as a testament to the quality of our leadership and past strategy decisions, which enabled us to leverage the strength of our brands, particularly Peter Alexander, and deliver wanted product through our world-class online platforms, thus delivering higher EBIT margins. This was never a guaranteed outcome when we closed our stores. During the forced shut, eligible group employees were able to receive wage subsidies whilst they were unable to work. As we have emerged from forced stay at home orders, we gradually globally stood up our team under costly COVID-safe plans in over 1,100 individual locations and still managed to retain our pre-COVID employment levels.

This would have been very unlikely without JobKeeper and other similar wage subsidy programs.

We believe JobKeeper has been an outstanding public policy initiative that was to the benefit of the broader economy and has been exceptionally successful by any test. In providing support to business during an extended period of health, driven Government-enforced shutdowns and keeping employees connected so that they would have jobs when more normal conditions became possible. The Australian Government deserves enormous credit. Therefore, our utilisation of JobKeeper and similar global wage subsidy program funds was entirely consistent with the various Government's objectives.

Marinda Meyer: Next question – Could the CEO and the Auditor please both comment on how we got our lease expense down by 93 per cent from \$224 million in FY19, to just \$17.5 million in FY20? What is the figure likely to be in FY21 and have we settled any of the various disputes with landlords as yet?

Solomon Lew: Thank you for the question. The difference in the lease expense you refer to predominantly relate to the impact of the changes from the international accounting standards, AASB 16. I'd suggest for further information, you please refer to pages 43 to 46 of our annual report.

Marinda Meyer: The next question – Why didn't we take up our 28 per cent pro rata share of the attractively priced \$94 million Breville placement at \$17 dollars a share in June 2020. The stock closed at just over \$24 dollars last night, so the opportunity cost of not participating is now around \$14 million. And why didn't we sell some of our shares when the stock hit a record of over \$29 a few weeks ago?

Solomon Lew: Thank you for the question. We're not in the business of selling shares, we're an investor long-term in Breville. It is a company that Premier virtually founded in the late 90s and at the time, the company may have been worth well under \$100 million and as a result today of our investment and our involvement, the company has a value of well over \$3 billion dollars, maybe even \$3.5 billion. The reason that we didn't take up any further rights is that we felt that our investment of close to \$1 billion at the time was a serious investment, as you would all appreciate, and an investment that has been very, very profitable for all Premier shareholders. Thank you for the question.

Marinda Meyer: There are no further questions.

Solomon Lew: The next item of business is item two, to consider and adopt a remuneration report of the company for the 52 weeks ended 25th of July 2020. This report, which forms part of the Director's report accompanying the 2020 annual report, was made available to all shareholders and is available on Premier's website. I now put the motion that the remuneration report of the company for the 52 weeks ended the 25th of July 2020, be adopted by way of passing an advisory resolution to the meeting. Please refer to the slide for details of proxies lodged in respect to this motion. In accordance with Section 250R of The Corporations Act, a vote on this resolution must not be cast by any member of key management personnel whose remuneration details are listed in the remuneration report and their closely related parties. I do not receive any remuneration for my role as non-executive chairman, and therefore, neither I nor my closely related parties fall within this prohibition. Notwithstanding this, in this instance, neither I nor my closely related parties will be voting on this resolution, except that I'll be voting where I have been appointed as proxies by shareholders who are not my closely related parties. I will be voting the undirected proxies given to me as Chair of the meeting in favour of this resolution. Marinda, have we received any questions relevant to this notion?

Marinda Meyer: We have paid the CEO more than \$11 million over the last two years, including \$5 million in cash bonuses. Why isn't the CEO even allowed to do a presentation to shareholders at the AGM to justify his value, given that we are paying him so generously? Could he make a few comments justifying his salary now?

Solomon Lew: Thank you for the question. I've already addressed questions on this incredible result of your company under Mark McInnes's leadership. I refer shareholders to the annual report which includes further information on the performance. Thank you.

Marinda Meyer: Next question – Can you confirm that the Lew interests have not voted on the remuneration report today and that there has also been a first strike with more than 25 per cent of the independent votes cast opposing the remuneration report? If this is the case, please comment on which proxy advisors recommended against and what the issue was?

Solomon Lew: The answer to the question is that votes have been cast, we will have a ballot result later this morning and I will not be quoting on which proxy advisors recommended for or against. Thank you.

Marinda Meyer: There are no further questions.

Solomon Lew: Thank you. As I mentioned earlier, the vote on all resolutions will be conducted by way of poll. I will now handover the chairing of the meeting to Dr David Crean, Deputy Chairman, to conduct Item 3a of the meeting.

Dr David Crean: Thank you, Chairman. Item 3a on the notice of meeting is the re-election of Mr Solomon Lew as a Director. Information on Mr Lew has been included in the 2020 Annual Report and in accordance with the company's constitution, Mr Lew retires by rotation and being eligible, offers himself for re-election. I put the motion to the meeting that Mr Lew be elected as a Director of the company. Please refer to the slide for details of proxies lodged in respect to this motion. I will be voting the undirected proxies given to me as Chair of the meeting in favour of this resolution. Marinda, have we received any questions?

Marinda Meyer: First question – How old is the candidate? Does he intend to serve a full three-year term? And why don't we move to a model of having an independent chair, given that independent shareholders own just over 57% of the business. Could both Mr Lew and Deputy Chair David Crean answer this question?

Dr David Crean: Well, I'll answer this question and I thank the shareholder for the question. As you're probably aware, since being elected Director and Chair, Mr Lew has elected not to receive any remuneration. Over this period, Premier has materially outperformed all its peers. Therefore, the Chairman's interests are fully aligned with shareholders. Many retail companies in Australia would love to have Mr Lew as its Chairman and he's just received over 99 per cent of shareholder votes.

Marinda Meyer: The next question – Could Deputy Chair David Crean please comment on whether the board has been comfortable in supporting Mr Lew with his super-aggressive and controversial attacks on landlords? Where is the line drawn in terms of board decisions on this issue as opposed to the Executive Chairman being delegated authority to run the campaign?

Dr David Crean: Thank you for the question. Might I just say that the board fully supports Mr Lew's comments in relation to landlords and as I've also just mentioned, as you can see from the proxy votes, over 99 per cent of shareholders support Mr Lew. If I might add, Mr Lew is not Executive Chair.

Marinda Meyer: There are no further questions.

Dr David Crean: Thank you, Marinda. I'll now hand the meeting back to Mr Lew.

Solomon Lew: Thank you, David. Now we will move on with Item 3b in the notice of meeting, is the re-election of Mr Henry Lanzer as a Director. Information on Mr Lanzer has been included in the 2020 Annual Report. In accordance with the company's constitution, Mr Lanzer retires by rotation and being eligible offers himself for re-election. I put the motion that Mr Henry Lanzer be elected as a Director of the company for the meeting. Please refer to the slide for details of proxies lodged in respect of this motion. I will be voting the undirected proxies given to me as Chair of the meeting in favour of this resolution. Have we received any questions relevant to this motion?

Marinda Meyer: The first question – Why aren't the fees paid to Arnold Bloch Leibler by Premier Investments disclosed as a related party transaction in the annual report?

Solomon Lew: Thank you for the question. All fees paid to Arnold Bloch Leibler are disclosed from the Annual Report as a related party transactions. All fees are on arms' length terms.

Marinda Meyer: Next question – How does Mr Lanzer manage the conflict of interest when clients of ABL are in rent dispute with Premier?

Solomon Lew: We deal with Arnold Block Leibler, the firm, which has a variety of partners. Mr Lanzer is a Director of that firm, but Mr Lanzer acts as a Director of Premier. As far as I'm concerned, he has no conflict of interest and he has removed himself from any relevant discussions or decisions in accordance with Premier's board charter and corporate governance policies. Thank you.

Marinda Meyer: There are no further questions.

Solomon Lew: Thank you. Item 3c of the notice of meeting is the re-election of Mr Michael McLeod as a Director. Information on Mr McLeod has been included in the 2020 Annual Report. In accordance with the company's constitution, Mr McLeod retires by rotation and being eligible, offers himself for re-election. I put the motion that Michael McLeod be elected as a Director of the company to the meeting. Please refer to the slide for details of proxies lodged in respect to this motion. I will be voting the undirected proxies given to me as Chair of the meeting in favour of this resolution. Have we received any questions relevant to the motion?

Marinda Meyer: The first question – Which of the Premier Directors are regarded as being genuinely independent and does Mr McLeod support the concept that Premier should have a majority of Independent Directors and an Independent Chair, given that the Independent shareholders own a majority of just over 57 per cent of the company?

Solomon Lew: I would think that Mr McLeod is a major Independent Director and he completely supports the board and the Chair and I think that the question that is being asked has already been answered, thank you.

Marinda Meyer: Next question – If Mr McLeod believed that the Chairman, Solomon Lew, was going over the top in his public attacks on landlords over rent, would he speak up as a voting Director of Premier Investments or does he treat the role as being a nominee Director of Century Plaza, who does what Mr Lew wants?

Solomon Lew: Thank you for the question. As mentioned earlier, Mr McLeod is an Independent Director of Premier Investments and he has his own mind. Thank you.

Marinda Meyer: There are no further questions.

Solomon Lew: Thank you. Ladies and gentlemen, that concludes the discussion on the items of business. The poll will remain open for two minutes after the conclusion of the meeting to allow shareholders to finalise their vote. Please ensure that you have cast your vote on all resolutions. I would like to thank our shareholders for the continued support throughout a very difficult year and express my appreciation to my fellow Directors, management and all team members of the group for their contribution during the year. We will announce the results of each poll on the ASX as soon as the results are determined. A timer will shortly appear on screen to indicate the time left before the voting system is closed.

We look forward to a meeting with our shareholders again in the not too distant future. In the meantime, on behalf of the Premier Investments board and The Just Group's and their employees, we wish you all a very happy, healthy and safe holiday period. Thank you, ladies and gentlemen for attending.