

20 October 2020

Dear Fellow Shareholder

On behalf of the Directors of Accent Group Limited (ASX:AX1), it is my pleasure to invite you to attend the 2020 Annual General Meeting (**AGM**) of Accent Group Limited (the **Company**) to be held on Friday, 20 November 2020 at 10:00am (AEDT).

Your Board has been closely monitoring the impact of the COVID-19 pandemic and Government directives. **To ensure the health and wellbeing of our shareholders, our people and the community, we have decided to hold the AGM virtually this year.**

The Notice of Meeting and details on accessing the virtual meeting platform are available at www.accentgr.com.au/for-investors. The virtual meeting will include an online voting facility and you can also vote prior to the AGM by lodging the proxy form attached to the Notice of Meeting by no later than 10.00am (AEDT) on Wednesday, 18 November 2020. **Your Directors strongly encourage you to lodge your proxy form prior to the AGM.**

The virtual meeting will also include a facility for you to ask questions in relation to the business of the meeting (through a chat functionality) or you can submit questions online when voting prior to the AGM at www.investorvote.com.au.

If you have any questions about the virtual AGM or about voting or submitting questions to the AGM, please feel free to contact the Company Secretary at investors@accentgr.com.au.

Your Directors unanimously recommend (with certain Directors abstaining where appropriate) that shareholders vote IN FAVOUR of resolutions 1 to 5 and AGAINST resolution 6.

AGM

At the AGM, you will have the opportunity to vote on:

- Item 2:** the adoption of the Remuneration Report as set out on pages 17 to 32 of the Company's 2020 Annual Report;
- Item 3:** the election of Michael Hapgood and Joshua Lowcock as directors of the Company;
- Item 4:** the grant of performance rights to the Company's CEO, Daniel Agostinelli; and
- Item 5:** certain amendments to the Company's constitution.

In addition, if 25% or more of the votes validly cast on the Remuneration Report in Item 2 are voted against that resolution, then we will be required to put an additional resolution (**Item 6**) to the meeting, called a 'spill resolution'. This item will propose that we hold another meeting of shareholders (called a 'spill meeting') to spill the Board and consider the election of directors. Further information about the spill resolution and how it will affect the Company is set out in the explanatory notes in the Notice of Meeting.

Following the 2019 AGM, the Company received feedback from some shareholders and proxy advisors regarding the level of disclosure in relation to the Company's remuneration practices. Your Board has considered this feedback and taken action to increase the level of detail and transparency provided in this year's Remuneration Report. The Board will continue to review executive remuneration to ensure that it aligns with the Company's strategy, motivates management and supports the delivery of sustainable long-term returns to shareholders.

CHAIRMAN'S COMMENTARY

This has been a year like no other.

Notwithstanding the significant headwinds we faced as a result of the COVID-19 pandemic, the record profits and dividends that the Group delivered for FY20, are a testament to the strength, resilience and talent of the Accent Group team and culture.

With the onset of COVID-19 around March, the operating environment became extremely challenging.

In order to safeguard the health and safety our team and customers, a Company-wide operations shutdown was implemented from 25 March for a then unknown duration. All Group owned stores were closed to customers for the month of April and part of May with a resultant decline in total sales in March and April of \$55.7 million (or -58%) compared to the prior year.

Given the collapse in sales across March and April, the Company qualified for \$23.9 million in Government wage subsidies across Australia and New Zealand from April to June. These subsidies were announced after the Company's decision to shut down its stores. In accordance with the Government requirements, \$10.7 million of these subsidies were passed directly through to team members while they were not working or did not work sufficient hours to be otherwise paid more than the subsidy received. The subsidies also allowed the Company to retain the team throughout the period of shutdown.

Once it was safe to reopen stores, the balance of the wage subsidies supported the return to full employment for permanent team members and the reopening of the business through May and June, including standing up all permanent team members to full hours and full pay from the beginning of June. In the absence of the wage subsidies, many stores would have remained closed.

Given the improved performance of the business, the Company has not applied for wage subsidies beyond the end of the initial subsidy period ending on 30 September. We remain committed to our team, and they have continued to be fully remunerated, including during the second round of Melbourne lock downs from July to October and the Auckland lockdowns in August 2020, which resulted in the temporary closure to customers of more than 20% of the Company's owned stores. Consistent with the approach to date, we will continue to support the full employment of our team and to employ new team members as we grow our store network and our business.

I strongly believe that the business has applied the Australian and New Zealand Government subsidies for the purpose intended by government – to keep our team employed and productive in their jobs. This we have done for the over 5,000 members of our team across Australia and New Zealand.

I am very pleased to confirm that since the end of FY20, and despite the ongoing impacts of COVID-19, your Company has employed 236 new team members in our Australian and New Zealand operations.

Your Board considers that the increased sales, increased profits and increased dividends delivered in FY20 were a direct outcome of the response of the management team in successfully navigating a raft of complex issues and implementing new initiatives to drive the business through this difficult period.

In making the decision to pay a final dividend to shareholders and bonuses to management, your Board considered the impact of wage subsidies on the profit and cash position of the Company. The net subsidy payments received were not required for the payment of management incentives or the final dividend, and accordingly we determined to go ahead with both. We did so having regard to the interests of all our stakeholders, including in particular you, our shareholders.

We have come under criticism from some quarters for paying management bonuses and dividends when we have received government wage subsidies. I believe those criticisms miss the point. We could not have asked for more from our team and they delivered the revenues and profits that fully funded their bonuses and your dividends without the use of any government subsidies. In addition, and consistent with the stated objectives of government, we have retained and indeed expanded our team, fully paid, throughout this crisis and we intend to continue to do so.

I have always been proud to act on your Board and more recently as your Chairman, and never more than at this time. I stand by all of the decisions that we have made and hope that you likewise support them and continue to support your Board and your Company.

Your Directors unanimously recommend (with certain Directors abstaining where appropriate) that you vote IN FAVOUR of the resolutions in items 1 to 5 and AGAINST the resolution in item 6.

Finally, on behalf of your Board, I would like to thank the entire Accent Group team for their dedication, their passion and their hard work which, along with the support of our loyal customers, our landlords and our supplier partners, enabled the Group to continue to operate in these unprecedented times and deliver another year of record results.

Thank you for your continued support of Accent Group and I look forward to your attendance at our first online AGM.



David Gordon
Chairman