Super Retail Group

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**STATEMENT**

**Tuesday, 12 February 2019**

# Review of employment arrangements identifies manager underpayments
# CEO transition accelerated

Super Retail Group (ASX: SUL) will make back payments to retail managers after completing a comprehensive review of employment arrangements across the business. The review identified an underpayment of overtime and some allowances to retail managers.

Super Retail Group initiated the group-wide review last year following the discovery of a related breach of the General Retail Industry Award (Award) with the underpayment of overtime and allowances for team members involved in store Set Up projects.

Like the Set Up issue, our review found that while managers' base salaries were correct, not all overtime hours were paid in accordance with the Award. Additionally, some allowances required under the Award were not paid.

In our half year financial results to be released on Thursday, 14 February 2019, Super Retail Group will recognise approximately $32m pre-tax to cover the estimated cost of back payments to retail managers for the six financial years up to and including FY18. The company will also recognise compensatory interest on the amounts owing and payroll tax of approximately $11m pre-tax. This is an estimate and subject to an external audit process and final release in our half year results on Thursday.

Super Retail Group Managing Director and Chief Executive Officer Peter Birtles said "The issue with our retail managers reflects the same problem that we recently uncovered with our Set Up team members. They are both serious underpayments that we deeply regret."

"We are very disappointed that we have let these team members down and not met our standards, and we apologise to each person affected unreservedly."

"We identified this issue after initiating a thorough review of employment arrangements across our business, supported by external experts. We are fully committed to remediating this situation. We have amended our contracts for managers to ensure their salaries appropriately remunerate them for overtime and allowances."

"Recognising the significance of this underpayment, I have offered and the Board has accepted that I will step down as Managing Director and Chief Executive Officer, effective Wednesday 20 February."

Super Retail Group last month announced Anthony Heraghty, currently Managing Director of Super Retail Group's Outdoor Retailing business, would succeed Mr Birtles on 31 March 2019. The transition date will be moved forward to Wednesday 20 February.

After identifying the issue with retail managers, Deloitte was engaged to analyse 1.9 million shifts in total. Super Retail Group will engage an independent, external accountant to identify individual underpayments and will back pay these amounts plus 5.5 per cent interest a year. Retail managers represented about 10 per cent of Super Retail Group's workforce over the six-year timeframe.

The specific issues relating to overtime and allowance back payments are historic and do not materially affect the underlying financial drivers of the business, which remain strong.

Super Retail Group has been in ongoing discussions with the Fair Work Ombudsman about the review of its employment arrangements since self-reporting the non-compliance involving Set Up projects last year.

From today, the company will be informing current and former managers about this review and a dedicated support team (Ph: 1800 413 804 (in Aus) or 0800 567 044 (in NZ) or email teammembersupport@superretailgroup.com) has been established.

The group-wide review of employment arrangements is now complete and we are confident we have no further issues with the payment of overtime or other systemic employee entitlement issues. The board recognises the importance of these issues to our valued team members and so to ensure ongoing compliance, Super Retail Group has introduced an increased level of governance, including quarterly audits of its employment arrangements.

Ends

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