

## **Downer Group AGM 2021, 4 November 2021, 11am**

**Mark Chellew:**

Good morning, ladies and gentlemen. My name is Mark Chellew and I'm the Chairman of Downer EDI Limited. I would like to begin by acknowledging the Traditional Owners of the land on which we meet today, which in Sydney is the Gadigal people of the Eora Nation and I pay my respects to the elders past and present. I would like now to officially open our Annual General Meeting for 2021.

As you are aware, this year's meeting is being conducted virtually via the Lumi platform and therefore there are some housekeeping matters I would like to mention. As usual, voting on all resolutions will be by poll. Once I declare the polls open, a voting icon – it looks like a bar graph – will appear on your screen or navigation bar.

When you click this icon, your resolutions will appear, and you can select the voting option. You can vote at any time during the meeting until I declare the polls are closed. I will make it clear later in the meeting when the polls are about to close, only verified shareholders, or their proxies, attorneys or representatives are permitted to ask questions. We have received some questions in advance of the meeting which I will answer at the appropriate time during the meeting. You can submit a question at any time during the meeting using the Lumi platform. To do this, click on the messaging tab at the top of the screen. This will open a new screen and you can type your question in the box marked, 'Ask a question'. When you are finished typing, please hit the arrow symbol to send the question. To ask an audio question you will need to pause the broadcast and then click the link under, 'Asking audio questions'. A new page will open where you will be prompted to enter your name and the topic of your question. You will listen to the meeting on this page while waiting to ask your question. Questions should relate to the items of business under consideration at today's meeting and we may moderate questions, for example to avoid repetition.

Based on the number of verified voting members who have joined the meeting I declare a quorum for this meeting.

I would like now to introduce my fellow Directors. Joining us from Brisbane are Teresa Handicott and Nicole Hollows. Peter Watson is joining us from Melbourne. Here with me in Sydney are Phil Garling as well as our CEO, Grant Fenn, and Company Secretary, Robert Regan. Our Chief Financial Officer, Michael Ferguson, is also in attendance and so is Nigel Virgo, representing our Auditors, KPMG.

Before beginning the formal business for the meeting, I would like to outline today's procedures and protocols. All resolutions will be decided by a poll. The meeting will consider the items of business outlined in the Notice of Meeting, sent to all shareholders on 30 September 2021.

As I have already mentioned, shareholders can submit questions online. Only those persons who have been verified as shareholders or their proxies or representatives are eligible to ask questions and questions will be confined to the formal business of the meeting. Any undirected proxies in my favour as Chairman will be voted in favour of the relevant resolution. Prior to the formal business of the meeting I will present a brief report on behalf of the Board and then our Chief Executive Officer, Grant Fenn, will give an update on the business. We will now proceed with today's formal business.

Giving that the Notice of Meeting has been sent to all registered members, I move that the Notice of Meeting be taken as read. The minutes of the previous Annual General Meeting have been approved and signed in accordance with the Corporations Act. We will now move to the business of the meeting, which includes the resolutions to be put to the meeting prior to each resolution being discussed. The proxies that have been received on that item will be displayed as part of this representation. As I mentioned earlier, all resolutions will be decided by a poll which will open after the CEO's report.

Item 1 is to consider and receive the Financial Report, The Directors' Report and the Independent Auditor's Report for the year ending 30 June 2021. The Annual Report has been made available to shareholders and with it the Notice of Meeting, which has been held by members in excess of the minimum period. The Annual Report is available on Downer's website. Before opening Item 1, I will present the Chairman's Address and following that I'll invite your Chief Executive Officer, Grant Fenn, to provide an update on the Group's operations.

Ladies and gentlemen, I joined the Downer Board just two months ago and became Chairman last month. I believe Downer has an excellent portfolio of businesses and I'm excited about the future prospects.

If elected later in this meeting, I believe my four decades of experience in senior leadership and governance roles will be valuable to the Board and to you as shareholders. Unfortunately, since I joined the Board, COVID-19 restrictions have significantly limited my ability to visit Downer worksites or meet senior management face-to-face – although I have been able to have some virtual and actual meetings with some members of the Executive team. It would therefore be premature for me to make too many judgments about your Company.

However, I can say that I believe Downer has an industry leading Zero Harm culture. With my background in industrial businesses, this is of particular paramount importance to me, as I am sure it is to you as shareholders. I'm very pleased that Downer continues to improve its sustainability performance and reporting. I believe, as with Zero Harm, Downer is an industry leader in this area. If you haven't already done so, I strongly encourage you to read our Sustainability Report which is available on our website. It includes many case studies as well as full details of our performance across the Group.

Ladies and gentlemen, one of my first priorities will be to continue the process of Board renewal at Downer. This is the first Downer Annual General Meeting since 2007 that hasn't featured Mike Harding. Mike joined the Board in 2008 and became Chairman in 2010. He retired from the Downer Board at the end of September this year, having given over 13 years' service to your Company. Mike made an enormous contribution to Downer during a period in which the Company successfully navigated many challenges and achieved significant growth. On behalf of the Board, I thank Mike for his leadership and positioning Downer for success in the future. Phil Garling has been on your Board for 10 years, and while he is standing for re-election as a Non-executive Director today, we have stated in the Notice of Meeting that if re-elected, he intends to retire during his next term as part of the process of Board renewal at Downer. The Board has appointed a recruitment firm to assist in this renewal process and the firm will closely work with the Board to identify the skills that new Directors should bring to Downer and then identify a list of candidates to be interviewed. I expect that at the next Annual General Meeting, there will be at least two new Non-executive Directors on your Board – and hopefully you will be able to see them in person, not just on a screen.

When a company appoints a new Chairman, he or she is usually asked if they support the current corporate strategy. I confirm my support for Downer's Urban Services strategy and congratulate the team for successfully reshaping the Group into a focused Urban Services business with a strong platform for long-term sustainable growth. A lot has been achieved in relation to this strategy since last year's Annual General Meeting, including divestment of non-core Mining and Laundries businesses, and Grant will have more to say about that in his report. Importantly, Downer's Urban Services focus enabled the Group to deliver a resilient performance despite this year's COVID-19 restrictions and lockdowns in both Australia and New Zealand. Again, Grant will provide you with more details.

I'd like to thank Grant, his Executive team and our people for their efforts during what has been a very challenging 12 months.

I would also like to thank our shareholders for your support for Downer during this year. I will now hand over to Grant, before I return to run through the resolutions that will be put through to the meeting. Thank you.

**Grant Fenn:**

Well, thank you very much, Chairman.

Ladies and gentlemen, the 2021 financial year really tested the resilience of our business. And in doing so, it brought out the best in our people. I'm very proud of the way we continued to adapt and respond to the many challenges that confronted us, particularly the myriad of ever-changing COVID-19 restrictions. Now, it has been a handful. That we continued to deliver for our customers in such a positive way is a testament to this great Company. I'd like to take this opportunity to thank our people and our customers for their amazing efforts during the year.

I would also like to take this opportunity to thank our previous Chairman, Mike Harding, who stepped down from the Board in October. Mike was the Chairman for 11 years and was instrumental in building Downer into the Company it is today.

Financial year 2021 was an important year for Downer. 12 months ago, we laid out a number of priorities. We said we needed to deliver strong earnings and cash in the 2021 financial year and earnings were up 21 per cent. Cash conversion was 101 per cent of EBITDA and margins increased by 0.7 percentage points. Overall, it was a very solid financial performance, particularly in light of COVID-19 operating restrictions.

The Board declared a final dividend of 12 cents per share. That's a 60 per cent payout ratio for the second half of the year. And full year dividends totalled 21 cents per share and we intend to build the dividend per share over time.

We said we needed to complete the sale of our non-core assets. During the year we made very good progress and have since announced the sale of our last Mining business, Open Cut East. The divestment of our Mining, Laundries and a large chunk of Hospitality contracts has realised \$778 million in total proceeds. A very good outcome for shareholders. We've received \$537 million of that to date, with the remainder expected to be received in the next number of months.

We've taken action to change our corporate structure to improve market focus and reduce costs. The Spotless operations are now fully integrated into Downer and we've reduced management layers and consolidated functions for better performance. We've recapitalised the business, reset our target capital structure and commenced a \$400 million on-market share buy-back. We've so far bought back \$90 million dollars' worth of shares under this program and will continue buying back shares into the 2022 financial year.

Ladies and gentlemen, our Urban Services strategy focusing on Transport, Utilities and Facilities is the right one. We are leveraged on the long-term trends of expanding population, urbanisation, government outsourcing and now, with the Federal Government's commitment for net zero carbon emissions by 2050, decarbonisation of the economy. Government is getting bigger every day and 90 per cent of our work-in-hand, which totals more than \$35 billion, now comes from contracts with governments and owners of critical national infrastructure in Australia and New Zealand. This compares with 56 per cent five years ago, so that's a huge change. The Downer portfolio is now less cyclical with lower capital requirements and stronger cash conversion. And importantly we have scale, diversity and financial strength.

The Chairman mentioned earlier that our sustainability reporting and performance has continued to improve, as have our external ratings in this really important area. At Downer, we believe the increasing focus on sustainability by our customers and capital providers is a real opportunity to

differentiate ourselves. The divestment of our Mining and Laundries assets will reduce our Scope 1 and 2 emissions by 35 per cent, or 206,000 tonnes of carbon dioxide equivalent. Downer's technical capabilities and investment in new technologies will not only lower capital intensity for our own business but increasingly, we are helping our customers reduce their carbon emissions. Our Road Services business has been very successful in developing new green products that use a high level of recycled or repurposed material from roads, road sweepings, glass and other waste that otherwise would go straight to landfill. These products are very popular with customers, particularly local governments. We're investing in state-of-the-art manufacturing and recycling plants that are energy efficient and can blend high levels of recycled material into our product mix. Not only is this more sustainable environmentally, but it's cost effective when compared with virgin materials dug out of the ground. We expect more investment in recovery and repurposing of materials for road building and maintenance, and our Reconomy, Repurpose It and Reconophalt™ service offerings put us in a very strong position. More broadly, in the Transport sector we will continue to develop smart road and rail solutions and we're already building the new infrastructure required to support alternate fuel vehicles. All governments and fleet owners will look to reduce energy use and we're working on the production and trial of lower emissions trains and locomotives as well as Zero Emissions Buses.

Our Utilities business will continue to play a role in renewable electricity generation and benefit from the network upgrades required to support higher renewable capacity, including transmission lines, substations and associated connections. There are also opportunities in energy storage systems, energy efficient wastewater treatment facilities, and smart meter technology.

We will continue to maintain and upgrade existing power generation assets and we're well placed to play a role in delivering hydrogen associated infrastructure, as well as carbon capture and underground storage.

Across the Group, you can see that Downer's extensive capabilities are well placed for this potentially massive decarbonisation effort that will be required to meet our net zero target. We anticipate that State and local governments and major corporates will accelerate their efforts – and Downer will be there with solutions.

More broadly on the ESG front, we're a good corporate citizen and our corporate culture is strong. Our workforce is diverse, and we support and empower Indigenous businesses, culture and education. We work very hard to look after our people, including their mental health. We've implemented a range of initiatives in recent years to change the conversation around mental health, reduce the stigma associated with it, and empower our people with strategies and activities to support their wellbeing. In May this year, we became a major partner of Beyond Blue, a leading Australian mental health organisation. This partnership deepens our support for our people and also the broader community, which has reached out to Beyond Blue in record numbers during the COVID-19 pandemic.

Ladies and gentlemen, now let's turn to financial year 2022. When we reported our full year results in August, we stated that, while we were not immune from the impact of COVID-19 restrictions, the impact on Downer was relatively limited. We said that we expected our core Urban Services to continue to grow in the 2022 financial year – both in revenue and earnings. We also noted that we were cautious of the changing nature of the COVID-19 pandemic and the ongoing restrictions and so, we did not provide specific earnings guidance for financial year 2022. Soon after we reported, of course as you would all unfortunately understand, the Delta strain was upon us and there was a significant increase in the severity of restrictions across Australia and New Zealand. This has impacted all of our businesses to varying levels. In the core business, the most heavily impacted have been our New Zealand operations with a Level 4 shutdown, and our Facilities and Asset Services business with the shutdown of small-scale construction and State border closures. Of our remaining non-core businesses, Hospitality has been most heavily affected as events have been cancelled at our major venue, the MCG. Despite the negative impact of COVID-19 restrictions, the first three months of trading for financial year 2022, that's July through to September, have again shown the resilience of the core Downer businesses – Transport, Utilities and Facilities – with the core EDITA in line with the prior year. We're hopeful that the worst is over with restrictions on work and mobility starting to lift. Demand for our services remains strong for the remainder of financial year 2022.

In conclusion, I would like again to thank our people right across the Group for their massive contribution in financial year 2021 and also thank you, our shareholders, for your continued support. I'll now hand the meeting back to our Chairman.

**Mark Chellew:** Thank you, Grant. We will now open the polls. I will invite the Company Secretary, Robert Regan, to advise the poll procedure.

**Robert Regan:** Thank you, Chairman. Richard Powell, Computershare Investor Services, has been appointed returning officer for this meeting and I'm satisfied as to Computershare's independence. If there is any person who believes they're entitled to vote, but have not yet registered, please send a message via the meeting platform. Every member attending in-person or by representative, attorney, proxy is entitled to one vote for each share held. The resolutions on which you are required to vote by poll are items 2a, 2b, 2c, 3 and 4, as set out in the Notice of Meeting. Thank you, Chairman.

**Mark Chellew:** Thank you, Robert. The Financial Report, Directors' Report, and Independent Auditor's Report are now open for discussion. There is no requirement for shareholders to approve these reports. Accordingly, Item 1 is for discussion only and there will not be a vote on this item. I remind you that only shareholders of the Company, or the duly appointed representatives or proxies, are permitted to ask questions. I will now address questions from shareholders. Michael Sharp, Downer's Head of Corporate Affairs and Investor Relations, will read the questions to me and I will decide whether to respond myself or refer to one of my colleagues.

**Michael Sharp:** Thank you, Chairman. First question, from the Australian Shareholders' Association, is: This year you have highlighted your green products and the fact that a move to a more sustainable future is a big win for you. Can you give some examples and put dollars into your answer?

**Mark Chellew:** This question was submitted before today's meeting, and Grant covered this in some detail in his report. We haven't put a specific dollar value on our sustainability opportunities, but it is clear that there are substantial opportunities across the whole Group.

**Michael Sharp:** Thank you, Chairman. A second question from the Australian Shareholders' Association is: Has the ongoing COVID-19 issue across Australia since 1 July impacted income and profit in any specific areas of the business, and are there any concerns about overall performance in the remaining eight months of 2021-22?

**Mark Chellew:** Thank you, Michael. Grant clearly has already covered this question in his report earlier.

**Michael Sharp:** Thank you, Chairman. And the third question from the ASA on Item 1 is: Has the Board decided if Directors are going to be required to have a meaningful shareholding?

**Mark Chellew:** I know the ASA believes Directors should hold shares equivalent to their remuneration and that they should have three years to achieve that shareholding. I'll be having a conversation with the Board about this issue, including the timeframe. For example, three years may be too short a timeframe for younger Directors.

**Michael Sharp:** Thank you, Chairman. That is all the questions received in relation to Item 1.

**Mark Chellew:** Thank you, Michael. We will now move to Item 2. This item involves my election, so I'll hand over the meeting to Teresa Handicott. Thank you, Teresa

**Teresa Handicott:** Thank you, Mark, and good morning everyone. Mark Chellew was appointed as an Independent Non-executive Director of the Company effective 1 September 2021. In accordance with rule 3.3 of the Company's Constitution, and being eligible, Mr Chellew offers himself for election as a Non-executive Director of Downer. Proxies received in relation to this motion are displayed on the screen. The other Directors, including me, unanimously recommend that shareholders vote in favour of this resolution. There is now an opportunity for discussion of this resolution. Michael, do we have any questions?

**Michael Sharp:** No. There have been no questions submitted in relation to Item 2a.

**Teresa Handicott:** Thank you very much, ladies and gentlemen. I will now hand the meeting back to Mark as we move to Item 2b.

- Mark Chelley:** Thank you, Teresa, and thank you shareholders for your support. The meeting now considers Item 2b, the re-election of Phil Garling. Mr Garling was appointed Independent Non-executive Director of Downer on 24 November 2011. In accordance with the rule 3.6 of the Company's Constitution, and being eligible, offers himself for re-election. Mr Garling is currently a member of the Zero Harm and Remuneration Committees. As mentioned earlier in my address, the Board renewal process that is underway means that Mr Garling, if re-elected, intends to retire during his term. Proxies received in relation to this motion are displayed on the screen. There is now an opportunity for discussion of this resolution. Michael, are there any questions?
- Michael Sharp:** Yes, Chairman. The Australian Shareholders' Association asked Mr Garling to tell us why he should be re-elected as usually a Director with his longevity would be stepping down at this stage.
- Mark Chelley:** As I mentioned in my address earlier, one of my first priorities as Chairman will be to continue the process of Board renewal at Downer. We appointed a recruitment firm and I believe we'll appoint two new Directors by this time next year. It will be valuable for Phil Garling to remain on the Board while we go through this process. It is Phil's intention to retire when we have the new Directors in place. Phil, would you like to add anything?
- Philip Garling:** Thanks, Mark. I guess, just to point out that if Mike Harding and myself retired at the same time, it would reduce the average tenure on the Board from over six years to around two. I think the rest of Board was of the view that this was not necessarily in the Company's interest. And, to give you some comfort, I'll go quietly when the time comes. I'm actually not standing for a re-election at Charter Hall at the Annual General Meeting next week as a result of having served a similar term on that Board, so I do support the process of renewal. Thank you.
- Michael Sharp:** Thank you. There are no more questions on Item 2b.
- Mark Chelley:** Thank you, Michael. The meeting now considers Item 2c, the re-election of Nicole Hollows. Ms Hollows was appointed an Independent Non-executive Director of Downer on 19 June 2018. In accordance with rule 3.6 of the Company's Constitution, and being eligible, offers to herself for re-election. Nicole is currently Chairman of the Audit and Risk Committee and a member of the Remuneration, and Tender Risk Evaluation, and Corporate Governance Committees. Proxies received in relation to this motion are displayed on the screen. There is now an opportunity for discussion of this resolution. Michael, are there any questions?
- Michael Sharp:** No, Chairman. There have been no questions submitted in relation to Item 2c.
- Mark Chelley:** Thank you. The meeting now needs to consider Item 3, the adoption of the Remuneration Report for the year ending 30 June 2021. Proxies received in relation to this item are displayed on the screen. The Remuneration Report is now open for discussion. Are there any questions, Michael?



**Michael Sharp:** Yes, Chairman. The Australian Shareholders' Association asks: Now that you're a new-look business, will you move to the realisation that for it to be a Long-Term award it has to be measured over more than three years?

**Mark Chellew:** Downer undertook a comprehensive review of all aspects of remuneration only two years ago, with the assistance of an industry expert and the review concluded that the timeframe for the LTI was appropriate. We will continue to review our remuneration policies to make sure they are appropriate for Downer.

**Michael Sharp:** There are no more questions on Item 3.

**Mark Chellew:** We'll now move to Item 4, the approval of the Managing Director's LTI. The details of a Long-Term Incentive are set out in detail in the Notice of Meeting. Proxies received in relation to this motion are displayed on the screen. There is now opportunity for discussion of this resolution. Are there any questions, Michael?

**Michael Sharp:** No, there have been no questions submitted in relation to Item 4.

**Mark Chellew:** Now that all items have been discussed, we'll allow a short time to lodge your votes before closing the poll. If there is any person who believes they are entitled to vote but is unable to do so, please send a message via the meeting platform now.

I now declare the poll closed. The counting results will take a little while, so I propose to close the meeting and announce the results of the poll to the ASX this afternoon.

Thank you very much for joining us, and thank you very much for your attendance. The meeting is now closed.