

Downer Group AGM 2020, 5 November 2020, 11am

Mike Harding: Well, good morning, ladies and gentlemen. My name is Mike Harding and I'm the chairman of Downer EDI Ltd. I would like to begin by acknowledging the traditional owners of the land in which we meet today, which in Sydney is the Gadigal people of the Eora Nation, and pay my respects to their elders past and present.

I would now like to officially open our Annual General Meeting for. As you're aware, this year's meeting is being conducted virtually via the Lumi platform, and therefore there's some housekeeping matters I would like to mention. As usual, voting on all the resolutions will be by a poll. Once I declare the poll open, a voting icon... it looks like a bar graph... will appear on your screen or navigation bar. When you click this icon, the resolutions will appear and you can select a voting option. You can vote at any time during the meeting until I declare the poll 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've 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 speech bubble icon. This will open a new screen. At the bottom of the screen, there's a section for you to type in your question. When you finish typing, please hit the arrow symbol to send the 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 now like to introduce my fellow Directors. Joining us from Brisbane are Teresa Handicott and Nicole Hollows. Peter Watson is joining us from Melbourne.

Peter Watson: Good morning.

Mike Harding: 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, and also in attendance is Cameron Slapp, representing our auditors, KPMG.

Before beginning the formal business of 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 the meeting sent to all shareholders on the 1st of October, 2020. As I've already mentioned, shareholders can submit questions online. Only those persons who have been verified as a shareholder or their proxy 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, but then our Chief Executive Officer, Grant Fenn, will give an update on the business. We will now proceed with today's formal business.

Given that the notes of the meeting has been sent to all registered members, I move that the notes of the meeting being taken as read. The minutes of the previous annual general meeting have been approved and signed in accordance with the Corporation 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 we have received on that item will be displayed as part of the presentation. As I mentioned earlier, all resolutions will be decided by a poll which will be opened after the CEO's report.

Item number one is to consider and receive the Financial Report, the Director's Report, and the Independent Auditor's Report for the year ending 30th of June, 2020. The Annual Report has been made available to shareholders, and with it, the notice of the 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 number one for discussion, I will present the Chairman's Address, and following that, I will invite our chief executive officer, Grant Fenn, to provide an update on the group's operations.

Ladies and gentlemen, 2020 has been a truly extraordinary year for all of us, and COVID-19 continues to disrupt our lives, though in different ways depending on where you live. Downer's strong governance models are guarding the company through these challenging times, and I am proud of the way our organisation and people are responding and adapting. Downer has complied with all the government regulations and advice in relation to COVID-19 in both Australia and New Zealand, and we have robust business continuity plans in place, which we've implemented a range of control measures across our sites to minimize the risk of COVID-19 transmission. You can find detailed information about our response to COVID-19 on the Downer website and throughout our sustainability report. The vast majority of the group has proven to be resilient. Our

urban services business, which mostly work for government customers, performed very well during the year.

Our New Zealand business was affected substantially by level four restrictions introduced there, but virtually all our operations returned to normal levels when those restrictions were eased. Our hospitality business in Australia has been the worst-affected part of the Downer Group, and it remains in hibernation as we review the options for its future.

In July this year, we announced a range of initiatives to reshape Downer as a focused urban services business with a stronger platform for longer-term sustainable growth. This included an equity raising of \$400 million, which was supported strongly by institutional investors who took up 90% percent of their entitlements. Grant Fenn will have more to say about these strategic initiatives in his report.

We continue to improve our sustainability performance, and I encourage you to read our sustainability report, which is available on the website and includes many case studies as well as full details of our performance across the group. Last year, we announced long-term greenhouse gas emissions reduction targets that align with the 2015 Paris Agreement goals to pursue efforts to limit the temperature increase by 1.5% by the end of the century.

In February of this year, we announced we would shift our focus from high-capital intensive activities to lower-capital intensive and carbon activities in line with our urban services strategy. This strategic shift will support Downer's decarbonisation pathway.

Ladies and gentlemen, Grant Thorne retired as the director of Downer in July this year after a decade's service. Grant provided leadership on the Zero Harm Committee, including as Chairman for a significant period. He was a member of several of the committees and the long-term chair of the Tender Risk Evaluation Committee. On behalf of the Board, I thank Grant for his contribution to Downer and wish him well for the future. I would like to thank Grant Fenn, his executive team, and our people for their efforts during what has been a very difficult year, and I would also like to thank you, our shareholders, for your support. I will now hand over to Grant before I return to run us through the resolutions that will be put to the meeting.

Grant Fenn:

Thanks very much, Mike. Ladies and gentlemen, the 2020 financial year has tested the resilience of our business and brought out the best in our people. I'm very proud of the way our people have adapted and

responded to all of the challenges in 2020, and I take this opportunity to thank them for their considerable efforts.

Last month, Spotless also experienced a cybersecurity incident, an increasingly frequent and sophisticated threat for Australian organisations and governments. We've dedicated significant resources to this challenge, and once again, our people and our organisation have proven to be very resourceful and resilient. Importantly, we've been able to continue our services for our customers and maintain operations so that it's not expected to have a material impact on the Downer business or its operations.

Ladies and gentlemen, a key reason for Downer's strength and resilience during these turbulent times is our urban services strategy. On 21 July this year, we announced a number of initiatives to create a stronger Downer. The first was to take 100% ownership of Spotless. On 12 August, we launched an offer for all the remaining shares in Spotless, around 12%, and on 7th of October, we announced that we had completed the offer successfully and now owned 100% of Spotless. We're now implementing a number of measures to enable us to realise the full benefits of this acquisition, including refinancing Spotless debt at a lower cost to the group.

Second, we announced the exiting of non-core businesses as we reshape the Downer portfolio in line with our urban services strategy. We well progressed in exiting high-risk construction markets in both Downer and Spotless while the sale of our most capital-intensive businesses, mining and laundries, remain a key short-term objective. We've received expressions of interest for all the various parts of the mining portfolio, and our discussions continue in relation to the sale of Laundries. We will, of course, keep the market informed of all significant developments.

The third initiative was the right sizing of our cost base. This involves reducing management layers and head count as well as our property footprint, systems costs, and discretionary expenditure. There's been a lot of activity in these areas over the past four months, which will continue for the foreseeable future.

The fourth initiative we announced in July was an equity raising of \$400 million to fund the purchase of the remaining stake in Spotless, the right sizing of the cost base, and further investment in our core urban services. As Mike mentioned earlier, this raising was completed successfully and very strongly supported by our shareholders.

Ladies and gentlemen, our core urban services portfolio, which comprises transport, utilities, facilities, and asset services businesses, is the future of

Downer. Throughout 2020, and despite the impact of COVID-19, these businesses have demonstrated their strength and resilience. They have leading market positions, and these essential services are provided predominantly to governments or through government-related contracts, as well as to blue-chip industrial companies. Our urban services strategy is based on a capital-light business model that generates a lower risk and long-term predictable revenues and cash flows. It leverages Downer's expertise in operations, maintenance, servicing, and supply.

The strength and resilience of our urban services portfolio is highlighted by the fact that despite all of COVID-19, the underlying EBITDA for those businesses in financial year '20 was comparable to the previous year. That is, 511 million in financial year '20 versus 525 million in 2019. Demand for these urban services, particularly in roads, rail, power and gas, water, defence, health, education, and other government sectors remained strong throughout the year, and in some cases increased. We expect demand for transport services... that's roads, rollingstock, and infrastructure... to remain strong as governments look to stimulate the economy and create jobs.

Last month, the federal government's budget included a number of shovel-ready projects in these sectors, and we're well-placed to win our share of that work. We also expect demand for utility services to remain strong. We've won a number of significant contracts in power, gas, and water over the past year, and on 31 August, we announced we would continue to be a major partner with NBN across a range of services in Western Australia, South Australia, and Northern Territory. Furthermore, in late September, the Federal Government announced a \$4.5 billion upgrade to the NBN over the next three years, and once again, we're well-placed to win our share of this new work.

Our core facility services continued largely unabated in financial year '20, and we expect demand for these services to continue, and this includes FM and building services for defence, government housing, health education, and transport across Australia and New Zealand.

This year is the first time we've disclosed the performance of Asset Services as a separate business. This business has grown significantly over the past few years, delivering specialised turnaround, shutdown, and maintenance services to the oil and gas power generation industrial sectors. I would again like to thank our people right across the Downer Group for their contribution to our performance in this extraordinary year. I also thank you, our shareholders, for your continued support. Mike, I'll now hand the meeting back to you.

Mike Harding:

Thank you, Grant. We will now open the polls, and I invite the company secretary Robert Regan to advise the poll procedure.

Robert Regan: Chairman, Martine Lefebvre of Computershare Investment Services has been appointed returning officer of this meeting, and I'm satisfied as to Computershare's independence. If there's any person that believes they're entitled to vote but they have not yet registered, please send a message by the meeting platform. Every member in attendance or in attendance by proxy representative or attorney is entitled to one vote for each share held. The resolutions on which you are required to vote by poll are items two, three, and four, as set out in the notice of meeting. Thank you, Chairman.

Mike Harding: Thank you, Robert. The Financial Report, Director's Report, and the Independent Auditor's Report are now open for discussion. There is no requirement for shareholders to approve these reports, and accordingly, item number one is for discussion only, and there will not be a vote on this item. I'll remind you that only shareholders of the company or their 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 it to one of my colleagues.

Michael Sharp: Thank you, Chairman. The first question in relation to item one has been submitted by Mr. Richard Wilkins. His question is, "The intangibles figure is very large and, in fact, exceeds the value of shareholders' funds. This indicates that a lot of Downer's business growth has been bought rather than grown organically. What is the Board's view of organic growth versus acquisitions for the future?"

Mike Harding: Well, thank you, Richard, and welcome back. I hope you're online. We can't have a little chat like we normally do, but thanks for coming back. Yes, you're correct, and the large intangible figures are due to acquisitions, mostly regionally by Spotless, but also, for example, Tenix a few years ago. We expect all our core urban services business to grow organically, and I do not expect to make any major acquisitions in the near future, although we'll consider strategic bolt-on acquisitions for our core businesses.

Michael Sharp: Chairman, Mr. Wilkins also notes that after achieving cash conversion of 89% in FY '19, cash conversion was poor in FY '20, although it did recover to 74% in the second half of the year. He asks, "Does Downer expect the cash conversion in FY '21 will match the 74% level?"

Mike Harding: Yes, we do, Richard, although this could be affected if there was a high level of COVID-19 lockdown which was imposed upon us between now and the end of the year.

- Michael Sharp:** A third question from Mr. Wilkins relates to the five-year tables on page 28 of the Annual Report. He asks if it would be possible to include a five-year table of underlying EPS in future to make it easier to interpret in conjunction with the helpful figures on pages 10 and 11.
- Mike Harding:** Yes. Thank you again, Richard, for that. You always come along with good ideas, so we'll consider it.
- Michael Sharp:** Chairman, the next question comes from the Australian Shareholders Association. With Alsco withdrawing its bid for the laundries business, they ask what will happen now, and they also ask what progress is being made on selling the various parts of the mining business.
- Mike Harding:** Well, as Grant said in his report, the process of selling laundries is continuing, and we'll make an announcement as soon as appropriate to do so. As for the mining portfolio, we've sold Snowden consulting business, as well as our share of RTL joint venture, and we are in discussions with a number of interested parties in relation to the remaining parts of the portfolio, which includes open cut mining, underground mining, blasting, and Otraco, a tire management business. And again, we'll make an announcement when it's appropriate to do so.
- Michael Sharp:** The Australian Shareholders Association also asks if Downer has been able to identify any particular wins from the federal budget last month.
- Mike Harding:** Well, also, as Grant mentioned in his report, the federal budget outlined plans to spend money in the areas where Downer has a strong position, for example, roads, rail, and water, so we believe the federal budget initiatives are quite positive for Downer.
- Michael Sharp:** Chairman, another question from Mr. Wilkins. He knows that Downer can be proud of its ethical standards and sustainability approach, however, also that reputational risk can arise through our partners. Could you comment on the disturbing allegations of forced Uyghur labour in our Chinese partners' workshops?
- Mike Harding:** Thank you for the question, and thank you for observing that Downer has high ethical standards that we can be proud of in our approach to sustainability. I agree with you and think it is something everybody in Downer can be proud of. I'm now going to ask Grant, our CEO, to respond to this question.
- Grant Fenn:** Thanks, Mike. Look, Downer's strong position on modern slavery is highlighted in our sustainability report on page 30 under labour practices and modern slavery. We do take this very seriously. Our Standards of Business Conduct are very clear. Our procurement framework,

inductions, and our training is very clear. Our supply prequalification procedures, international supplier standards, and modern slavery due diligence procedures are very clear.

Just for some background on this particular claim. Look, on 28th of February, the Australian Strategic Policy Institute released a report claiming that 27 factories in nine Chinese provinces were using exploited Uyghur labour. The report highlighted 82 very well-known global brands that use products from these factories in their supply chains, and included in those global brands were the likes of Amazon, Google, Apple, BMW, Toshiba, Land Rover, General Motors, and many more were the clothing companies, footwear providers, and electronics providers. But there were also a number of international train manufacturers, including Bombardier, Alstom, Siemens, Hitachi, and CRRC. As many of you would know, CRRC has been a delivery and joint venture partner with Downer in our Waratah trains in Sydney and HCMT, or the HCMT, trains in Melbourne.

The basis of claim on CRRC relate to their purchase of train gangways from a company called KTK. KTK export gangway systems across the international train manufacturing sector very extensively. I've got to say, there are no KTK products on any Waratah series trains, but the HCMT trains in Melbourne do use KTK gangways through the CRRC supply chain.

So, what have we done? Well, immediately after the report was published, Downer engaged CRRC in relation to the claims, as you would expect. CRRC and KTK have both responded strongly denying the claims. KTK have engaged an Australian legal firm and independent certifiers to support their position. We're currently reviewing this independent validation. KTK and CRRC have provided their HR and employment policies for review. While stakeholders, including financiers, review the position, payments to KTK have been placed on hold. Back to you, Mike.

Mike Harding: Okay. Thanks, Grant. We've had two more questions, I understand it, Michael.

Michael Sharp: Yes. We've had some questions submitted online. The first is from Natasha Lee. "While it is good to have 100% of Spotless, I worry there may be some regret. What strategies have or are in place to ensure we did not pay too much of a premium for Spotless, given the downturn in the economy."

Mike Harding: Grant, I'll ask you to address that one.

Grant Fenn: Yeah. Thanks, Mike. Well, of course, when you're acquiring businesses, it would be great to have the crystal balls that could perhaps envisage COVID-19 and some of the other issues, but of course COVID-19 has been the biggest impact on the Spotless business, through its hospitality particular area. Look, at the time when we did our business case, we had very good support for our view of value. It's been more difficult than we would have liked, particularly only owning 88% of Spotless up until very recently. Look, we now believe, with 100% of the company, we have now the opportunity to fully take the opportunities which Spotless provides, which is a very key part of our urban services strategy in the facilities area, and Spotless is the major player in both Australia and New Zealand in that space, so it's a very important strategic acquisition for us. It's now up to us to make that work for us. There are many, many parts of the Spotless business which are really adding depth to the Downer business. So, we're working very hard on doing the things that very recently we spoke to shareholders about, around the 100% take of the full shareholding, around refinancing the Spotless debt that will give us significant benefits on our interest costs, and also the ability to further integrate Spotless into our business.

Michael Sharp: Excellent. The next question comes from Robin Pender. "Downer reported a 30% drop in FY '20 asset services revenue associated with a deferral of maintenance contracts by companies such as Chevron, Santos, Origin, BHP, and CS Energy. Has the Board conducted an assessment of the risks associated with delaying that maintenance, in particular where the delays of maintenance increase WHS risk for Downer's workforce?"

Mike Harding: Grant.

Grant Fenn: Look, we don't believe that the delay in those pieces of work from the likes of our oil and gas providers will impact the occupational health of Downer's workers in asset services at all. We have very rigid requirements for operations in the safety area, as do our customers. So, we don't see any issue with that.

Michael Sharp: And one other question from Robin Pender. "Both BHP and Origin have suspended their membership of the Queensland Resources Council due to political advertising ahead of the Queensland election. Does Downer agree with the campaign, and why hasn't it suspended its membership?"

Grant Fenn: Well, we've not addressed that issue at all. We're non-political. Anyone that's got anything to do with this company would understand that we've not addressed that issue at all at this stage.

Mike Harding: Okay. Thank you, Michael. Are there any more questions in this general?

- Michael Sharp:** There are no more questions in relation to item one.
- Mike Harding:** We'll now move to item number two. This involves my re-election, so I will hand the meeting over to Teresa Handicott, who is in Brisbane. So, over to you, Teresa.
- Teresa Handicott:** Thank you, Mike, and good morning, everyone. Mike Harding was appointed an independent non-executive director of Downer on 1 July 2008, and in accordance with the company's constitution and being eligible, offers himself for re-election. 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's now an opportunity for discussion of this resolution. Michael, are there any questions?
- Michael Sharp:** Yes. Similar questions have been raised by Mr. Wilkins and also the Australian Shareholders Association, and that is, can the Chairman provide some information about Board succession, including the timeframe and whether the Board could benefit from having another non-executive director?
- Mike Harding:** Okay, thank you for the questions. It's been a very active couple of years for Board renewal. Nicole Hollows joined in 2018 and Peter Watson in May 2019. Annabelle Chaplain retired at the 2019 AGM after serving over 10 years on the Board, and as I mentioned earlier, Grant Thorne retired in July this year after a decade's service. As I stated in my message in this year's notice of the meeting, I do not intend to seek another term. The Downer Board and I are focused on the ongoing Board renewal and transition of the role as Chairman. There are currently members on the Board who will be candidates for your next Chairman, and we're also conducting, at this very moment, a search for a new non-executive director who has the potential to be the next Chairman. I assure you the process is a priority for the Board and we'll keep the market fully informed. Michael?
- Michael Sharp:** We have a question from Natasha Lee. "Does the Board have a policy regarding diversity of Directors? World's best practice suggest 40% female representation. Representation provides better outcomes for shareholders. Has the Board adopted this policy, and if not, why?"
- Mike Harding:** Our diversity policy is in the Annual Report, but going back, when I first started with Downer, we've always been able, and we've not really gone out and done it and looked for... I'm going to say female Directors, if that is diversity that you're talking about... but we've always managed to have the best part of three women on our Board, three very good women. We now have two, and when we're looking for this new non-executive

director, I'm very open-minded. So, we currently have 30%, but we've been doing very well at the Board level to have some really good female Directors on the Board. So, we do have a policy, yes, but I've never found it a major issue at the Board level. Thank you, Michael.

Michael Sharp: There are no more questions on item number two.

Teresa Handicott: Thank you very much, ladies and gentlemen. I'll now hand the meeting back to Mike as we move to item three of the agenda.

Mike Harding: Okay. Item three. Thank you, Teresa. The meeting now needs to consider item three, adoption of the remuneration report for the year ending 30th of June, 2020. Proxies received in relation to this item are displayed upon the screen. The remuneration report is now open for discussion. Michael, are there any questions?

Michael Sharp: The Australian Shareholders Association asks, "When will Downer accept the long-term bonus is at least four years?"

Mike Harding: Well, we have this discussion every year with the Australian Shareholders Association. Our answer remains that our long-term incentive scheme is effectively four years because it's measured after three years and the person must remain within employment of Downer for an additional year, so that gets it to the four years, and that has been our policy since I've been here. Michael?

Michael Sharp: There are no more questions on item three.

Mike Harding: We'll now move to item four, approval of the Managing Director's long-term incentive. The meeting now needs to consider item four, approval of the Managing Director's long-term incentives. The details of the long-term incentive plan are set out in detail in the notice of the meeting. Proxies received in relation to this motion are displayed upon the screen. There is now an opportunity for discussion of this resolution. Michael, are there any questions?

Michael Sharp: No, no questions have been submitted on this item.

Mike Harding: Okay. Thank you. Well, now that all the items have been discussed, we'll allow a short time to lodge your votes before closing the polls. If there's any person who believes they're entitled to vote but haven't done it so far, please send a message via the meeting platform now.

OK, thank you. I now declare the poll closed.

The counting of the results will take a little while, so I propose to close the meeting and announce the results of the poll at ASX this afternoon. The Chairman's address and CEO's Report have already been posted on Downer's website.

Is there any other business that can lawfully be brought forward? No?

Ladies and gentlemen, there being no further business the meeting is now concluded.

So, thank you very much for your attendance.

ENDS