



## New additions and a positive outlook for 2023

<b>Company/ASX Code</b>	Cleanaway Waste Management/CWY
<b>AGM date</b>	Friday, 21 October 2022
<b>Time and location</b>	11am Adelaide Room, Sofitel Sydney Wentworth Hotel, Level 4, 61-101 Phillip St
<b>Registry</b>	Computershare
<b>Type of meeting</b>	AGM
<b>Poll or show of hands</b>	Poll
<b>Monitor</b>	Steven Mabb assisted by John Collins
<b>Pre AGM Meeting?</b>	To be confirmed

The individual involved in the preparation of this voting intention has no shareholding in this company.

### Matters for the AGM

Cleanaway (CWY) had a challenging year with the impacts of flooding and COVID-19. The new CEO, Mark Schubert, appeared to hit the ground running. The company announced a refreshed strategy “Blueprint 2030” with the release of the FY22 interim result. The strategy adds carbon, sustainability and core process capabilities and aims to continue to build-out growth platforms.

Integration of recent and any prospective acquisitions is critical at a time, as is the assets coping with the intense wet weather which is expected to persist into calendar 2023. Board renewal is continuing and we expect a succession plan for the long-serving Chair to be announced in due course.

### Proposed Voting Summary

No.	Resolution description	
2	Remuneration Report	For
3(a)	Re-election of Mark Chellew as a Director of the Company	For
3(b)	Election of Michael Kelly as a Director of the Company	For
3(c)	Election of Jackie McArthur as a Director of the Company	For
4(a)	Granting of performance rights to Mark Schubert under the Long-Term Incentive Plan	For
4(b)	Granting of deferred equity rights to Mark Schubert under the Deferred Equity Plan	For
5	Increase in Non-Executive Director aggregate fee pool	For

## Summary of ASA Position

### Consideration of accounts and reports - No vote required

#### Governance and culture

#### Financial performance

Net revenue increased 18.4% to \$2,603.8m during the year, while net profit after tax fell 5% and was a better reflection of a difficult year in terms of staffing and sickness through the COVID-19 lockdowns and disruptions from the significant and repeated flooding on the East Coast.

The statutory profit fell 45%, reflecting costs associated with the rectification of the New Chum landfill resulting from the significant flood events in South-East Queensland (\$30.5m), Sydney Resource Network acquisition and integration costs (\$25.6m) and costs associated with executive leadership transition and restructuring projects.

The dividend was increased and was in line with the stated policy of paying out 50-75% of underlying profits at 70.5%. Franking was 25% for the interim dividend, down from 100% in the prior years, and CWY's participation in the Commonwealth Government's Instant Asset Write Off Scheme which is forecast to reduce tax payments made by the Group in FY22, FY23 and FY24, the company does not expect to resume franking dividends fully until calendar year 2024.

While total shareholder return was down at 30 June 2022, the share price has improved and is trading at \$2.70 as at 13 October 2022.

#### Key events

- Capital raising of \$350 million through a fully underwritten institutional placement with a \$50 million share purchase plan (SPP) to fund the BluePrint 2030 strategy
- Acquisition of a 100% interest in Global Renewables Holdings for \$168.5m (as part of BluePrint 2030 strategy).
- Sites secured for Energy-from-Waste development projects in Victoria and Queensland
- HDPE and PP plastic pelletising facility in Laverton under construction.
- Acquisition of two landfills and five transfer stations from Suez in Sydney, now collectively referred to as the Sydney Resource Network.

#### Key Board or senior management changes

- **Mark Schubert** was appointed as CEO/MD in May 2021 and commenced in the role at the end of August 2021.
- **Mike Harding** will retire at the FY22 AGM. He was appointed Independent Non-Executive Director March 2013.
- **Jackie McArthur** appointed Independent Non-Executive Director on 1 September 2022.
- **Michael Kelly**, appointed Independent Non-Executive Director on 1 December 2021.

## **ASA focus issues (not discussed under remuneration report or re-election of directors)**

### **Fair capital raising**

ASA considers capital raising by PAITREO to be fairest to all shareholders as those shareholders who can't participate, receive compensation for the sale of their entitlements if the rights are able to be sold at a price above the offer price. The SPP was heavily oversubscribed, with 16,727 individual holders applying for more than \$190m compared to SPP target size of \$50m. CWY used a pro rata scale-back, with a minimum allocation of \$1,000. 96.4% of valid SPP applicants were allocated new shares greater than or equal to their pro rata amount. 0.8% of valid SPP applicants received an allocation of new shares less than their pro rata amount due to the \$30,000 regulatory cap on applications. 2.8% of applications applied for less than their pro rata amount and received it. We discussed the decision to go with a placement with an SPP which was seen to be approximately 50 basis points cheaper than a PAITREO. Although CWY doesn't often raise capital, the PAITREO will be considered in future.

### **Directors and boards**

We discussed the need for a board skills matrix that assists shareholders in their voting decisions, as well as the need for a director who amongst other attributes can contribute substantively on addressing of cyber-risks.

### **ESG**

CWY has a comprehensive Sustainability report and in 2022 delivered on delivered on commitments in the FY21 Sustainability Report, and established 2030 and 2050 greenhouse gas reduction targets for methane and carbon dioxide.

### **Summary**

(As at FYE)	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
NPAT (\$m)	80.6	147.7	123.1	103.3	72.5
UPAT (\$m)	145.0	153.2	139.9	97.8	77.5
Share price (\$)	2.52	2.64	2.34	1.69	1.35
Dividend (cents)	4.90*	4.35	3.05	2.2	1.9
Simple TSR (%)	-2.7	14.7	40	27	76
EPS (cents)	3.8	7.1	6.0	5.6	4.4
CEO total remuneration, actual (\$m)	2.4	6.1	7.5	6.6	5.0

\*12.5% franked

CEO's total actual remuneration compared to annualised Australian Full time Adult Average Weekly Total Earnings was **25.1x** (based on data from the Australian Bureau of Statistics <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>). Actual earnings are ASA defined as the

cash payments made during the year (FR, STI, deferred STI from prior year(s), plus any vesting of equity incentives at share price on date of vesting.)

Simple TSR is calculated by dividing (change in share price as at 30 June plus dividend paid during the year, excluding franking by the share price at the start of the year.

### **Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO**

The CWY remuneration framework is mostly in alignment with ASA guidelines.

We prefer 50% of the short-term incentive (STI) is deferred, rather than 20%. Long-term incentive (LTI) measures are over 3 years and we prefer 4 or more years.

LTI measures are based 50% on relative TSR and 50% compound annual growth rate of earning per share, with the latter needing to exceed a gateway level of return on invested capital. Equity awards are allocated using face value (volume weighted average share price.)

The measures are effective in producing a variation in remuneration. Awards for FY22 were determined at more than threshold but less than target levels. 727,700 performance rights are to be allocated to the CEO/MD under the FY23 LTI plan, and 75,970 under the deferred equity plan for the STI.

We will vote undirected proxies in favour of resolutions 2 and 4.

### **Election or re-election of directors**

The Board of Directors at Cleanaway is comprised of nine members, eight of whom are independent non-executive directors and one independent non-executive Chairman. The board size will reduce to eight with the retirement of Mike Harding at the AGM.

Regarding gender diversity, Jackie McArthur's appointment means the board will have three female Independent Non-Executive Directors out of eight directors (37.5%).

We will vote undirected proxies in favour of the re-election and election of directors.

**Mark Chellev** joined board in 2013 and became chair in 2016. He has completed three terms of three years and will be reaching the 12-year tenure at the end of his next term. In keeping with the company's policy of no more than 12 year's tenure for an independent director, the board is actively considering succession. He has a full workload with two Chair roles and one director role, which is the equivalent of five positions. He has overseen the appointment of a new CEO, the unveiling of the new strategy and board renewal.

**Jackie McArthur's** appointment as an Independent Non-Executive Director at Cleanaway was effective from 1 September 2022.

She holds over 20 years' experience in leadership roles, such as supply chain and logistics, operations, distribution and warehousing, manufacturing, and ESG and governance.

She was Managing Director ANZ for Martin Brower. She was also a senior executive who was responsible for McDonald's supply chain across Asia Pacific, Middle East, and Africa.

In 2016, she was named the Telstra NSW Business Woman of the Year and the winner of the 2016 Telstra Business Women's Award – Corporate and Private National Winner.

Her education includes a Bachelor of Engineering degree from the University of Sydney, and she is a member of the Australian Institute of Company Directors.

**Michael Kelly** has been an Independent Non-Executive Director at Cleanaway since 1 December 2021. He was the CFO of Adbri between 2010 and 2018. He has over 30 years' experience in

finance, corporate strategy, operations and acquisitions in construction, within Australia and internationally. His qualifications include a Bachelor of Commerce and he is a Certified Practising Accountant.

In FY21, the Board introduced guidelines regarding shareholdings for Non-Executive Directors. Under the guidelines, Non-Executive Directors will have five years from the later of 1 July 2021 or the date of their appointment to accumulate a shareholding in the Company equivalent to one year of their base fee holdings:

<b>Mr Raymond Maxwell Smith</b>	141,651
<b>Mr Terry Andrew Sinclair</b>	54,920
<b>Mr Mark Peter Chellew</b>	170,442
<b>Mr Philippe Gerald Etienne</b>	91,925
<b>Ms Samantha Louise Hogg</b>	nil shares (joined board 01/11/2019)
<b>Ms Ingrid Anne Player</b>	30,228
<b>Mr Andrew Michael Kelly</b>	51,123
<b>Ms Jacqueline (Jackie) McArthur</b>	30,275

ASA guidelines are for the minimum shareholding requirement to be attained within 3 years of appointment but will accept five years if the holding is building. We urge Samantha Hogg to acquire shares in the coming year, as we are conscious at times directors are precluded from buying so the next opportunity should be taken.

#### **Increase in Non-Executive Director aggregate fee pool**

An increase in fee pool to \$2.3m is sought. This is in keeping with a company of this size, being above median but less than top quartile according to Godfrey Remuneration Group data. The individual director fees are closer to median and the company states it is seeking additional headroom at a time of board renewal. We will vote undirected proxies in favour of the increase.

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## Appendix 1

### Remuneration framework detail

CEO rem. Framework for FY22	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.4	31%	1.4	31%
STI - Cash	1.12	25%	1.68	38%
STI – Deferred Equity	0.28	6%	0.42	9%
LTI	1.68	38%	1.68	38%
Total	4.48	100.0%	5.18	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Mark Schubert was formerly Executive General Manager, Integrated Gas at Origin Energy. CWY granted him a sign on entitlement of \$1.8m in recognition of forfeiture of incentives with his previous employer (a cash payment of \$400,000 made 3 months commencement and a grant of restricted rights on commencement of employment to the value of \$1.4m.) The rights will convert into shares in 3 separate tranches on the 1st, 2nd and 3rd anniversary of Mr Schubert's commencement date, subject to Mr Schubert remaining employed by Cleanaway on the relevant anniversary date and not having provided notice of resignation nor having been terminated for cause prior to that date. We voted against the resolution to approve these rights in 2021, due to the lack of hurdles beyond staying in the role. WE have excluded the amounts from the above table.