

## Changing of the Guard

Company/ASX Code	Transurban Group/TCL
Meeting Time/Date	11am, Thursday 19 October 2023
Location	Clarendon Auditorium Level 1, Exhibition Centre, Melbourne Convention and Exhibition Centre and online
Registry	Computershare
Type of Meeting	Hybrid
Monitor	Mike Muntisov assisted by Henry Stephens
Pre AGM Meeting?	Yes, with Chair Craig Drummond, Company Secretary Fiona Last and Investor Relations Jess O'Brien

### 1. How we intend to vote

2a	Election of Sarah Ryan as a Director	For
2b	Re-election of Mark Birrell as a Director	For
2c	Re-election of Patricia Cross as a Director	For
3	Adoption of Remuneration Report	For
4	Increase to the non-executive director fee pool	For
5	Approval of Performance Awards to CEO Michelle Jablko	For

## 2. Summary of Issues and Voting Intentions for AGM

### Summary of Issues for the meeting

- New CEO
- Skills on the board

## 3. Matters Considered

### Key events

The M4-M8 link tunnels were opened during the year.

### Key Board or senior management changes

The retirement of long-term CEO Scott Charlton will occur after this AGM. He will be replaced by Michelle Jablko who has been Transurban's CFO since 2021.

This represents a changing of the guard at the very top of Transurban with the retirement last year of long-term chairman Lindsay Maxsted. The Maxsted/Charlton era saw Transurban grow five-fold over an 11-year period.

Retiring from the Board are directors Jane Wilson and Terry Bowen. Sarah Ryan was appointed a director during the year and she is up for election at the AGM. See below for more details.

## Key Financials

Transurban's financial results have bounced back post-COVID and with the opening of new projects in Sydney, providing a 26% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to a record result. Further improvements can be expected given six new projects are due to open in the next three years, and toll escalation clauses provide inflation protection.

	2023	2022	2021	2020	2019
Statutory NPAT (\$m)	\$92	\$16	\$3272*	(153)	170
U'lying Proportional EBITDA (\$m)	\$2448	\$1900	\$1836	\$1888	\$2016
Distribution per Share (cents)	58	41	36.5	47	59
Share Price at End of FY (\$)	14.25	14.38	14.23	14.13	14.74
Statutory CEO Remuneration (\$)	\$6.5m	\$4.3m	\$5.5m	\$4.6m	\$7.2m
Actual CEO Remuneration (\$)	\$5.5m	\$5.7m			
Total Shareholder Return (%)	3%	4%	3%	-1%	28%

*Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.\* includes sale of Transurban Chesapeake*

## Review of Board on Governance, Transparency, Fairness to Retail Shareholders

### Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- It has a policy that Directors and other key management personnel (KMP) invest at least one year's worth of fixed remuneration or base cash fees in company shares, within 5 years.
- The company meaningfully discloses environmental, social and governance ESG issues or risks facing business and the processes to manage them.
- The company has a track record in raising capital fairly by using a pro-rata renounceable entitlement/rights offer approach (PAITREO).
- The company publishes a skills 'table' of the board in the Annual Report.
- When new CEO Michelle Jablko takes on the CEO role in October 2023, the Board will comprise 44% female directors (4 of 9.)

### Areas for Improvement

- The Board could strengthen its skills in project management and infrastructure, particularly engineering skills

- The ASA prefers a more fulsome and informative skills ‘matrix’ to be disclosed.

## Summary

The company has been well governed and is now under a new leadership team.

## 4. Rationale for Voting Intentions

### **Resolution 2a: Election of Sarah Ryan as a Director (for)**

Ms Ryan was appointed to the board in September 2023. She holds a doctorate in geophysics. Her corporate executive experience is in the oil and gas industries. She has previous ASX board experience with Woodside and OZ Minerals. She is currently a director of Viva Energy and Aurizon. Her workload is within ASA guidelines. She is considered independent.

The ASA proposes to support her election.

### **Resolution 2b: Re-election of Mark Birrell as a Director (for)**

Mr Birrell with qualifications in economics and law, was appointed to the board in May 2018. He has relevant experience of the infrastructure industry through his role as chair of both Infrastructure Partnerships Australia and of Infrastructure Australia. His security holding is approximately equal to his base fee. His workload is not excessive. He is considered independent.

The ASA proposes to support his election.

### **Resolution 2c: Re-election of Patricia Cross as a Director (for)**

Ms Cross has a science degree and has been on the board since July 2021. Her corporate executive experience is in the banking and investment sector, and has worked in several countries. She has extensive ASX board experience through prior directorships with Macquarie, National Bank, Qantas and others. She has adequate skin-in-the-game (shareholding). She is considered independent.

ASA proposes to support her election.

### **Resolution 3: Adoption of Remuneration Report (for)**

The CEO remuneration framework for the CEO was unchanged in FY23. See Appendix for details.

#### **FY23 outcome**

The CEO scored 118% on STI performance. Only 36% of LTI’s vested because COVID prevented achievement of the Free Cash Flow measure.

Non-executive director fees were increased by around 10% during the year. The last increase was in 2018.

#### **Conclusion on Remuneration**

Transurban’s remuneration structure meets the key ASA’s guidelines. Therefore, the ASA proposes to support the Remuneration Report.

### **Resolution 4: Increase to the non-executive director fee pool (for)**

This resolution is to increase the aggregate director fee pool from \$3.0m to \$3.5m. The fee pool was last increased in 2016. The reasons offered for the increase are to provide flexibility for additional board appointments, increasing time and responsibility of directors, manage orderly succession planning, and to retain and attract directors. Not all these reasons are convincing, but board fees remain within relevant benchmarks. Therefore, ASA proposes to support this resolution.

#### **Resolution 5: Approval of Performance Awards to CEO Michelle Jablko (for)**

Please refer to assessment under item 3. We propose to support this resolution.

#### **Monitor Shareholding**

The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

##### *ASA Disclaimer*

*This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document; it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:*

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

*This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.*

---

## **Appendix 1**

### **Remuneration framework detail**

The following table sets out the remuneration framework for the incoming CEO Michelle Jablko for FY24, which is around 13% lower than that of the retiring CEO's FY23 package.

CEO rem. Framework FY24	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	2.0	37%	2.0	25%
STI - Cash	1.0	18%	1.5	19%
STI - Equity	1.0	18%	1.5	19%
LTI	1.47*	27%	2.94	37%
Total	5.47	100%	7.94	100%

\*At threshold vesting.

#### Remuneration Framework Positives

- CEO's target and maximum opportunity of each component is clearly disclosed.
- Actual take home pay for the CEO is reported
- The total quantum of the CEO remuneration package is reasonably within the Godfrey Remuneration Group report benchmarks.
- The quantum of Board fees are reasonably within the Godfrey Remuneration Group report benchmarks.
- More than 50% of CEO's pay is genuinely at risk [63% at target]
- STIs are not more than fixed remuneration (equal at target).
- The majority of STIs are based on quantifiable and disclosed performance metrics.
- 50% of STIs is paid in equity with a 2 year holding lock.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- LTI hurdles are measured a minimum of four years after issue (for 50% of award, transitioning to 100% of award in FY23).
- LTI hurdles are based on two hurdles, TSR and Free Cash Flow (FCF).
- Comparator group for the TSR is a bespoke group in the transport, utilities, infrastructure, and real estate sectors in the ASX150.
- No LTI awards based on comparator groups vest unless performance is >50th percentile.
- All share grants are allocated at face value (no discount for dividends) not fair value.
- Termination payments do not exceed 12 months fixed pay.
- Vesting in a takeover or "change of control" events is subject to Board discretion or pro-rata.

Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

#### Areas for Improvement

- Not all share grants are satisfied by equity purchased on-market, with most being issued.