

## Steady as she goes

<b>Company/ASX Code</b>	Transurban Group/TCL
<b>AGM Time/Date</b>	11am AEDT, Tuesday 22 October 2024
<b>Location</b>	Clarendon Auditorium Level 1, Exhibition Centre, Melbourne Convention and Exhibition Centre and online
<b>Registry</b>	Computershare
<b>Type of Meeting</b>	Hybrid
<b>Monitor</b>	Mike Muntisov assisted by Stewart Burn
<b>Pre AGM Meeting?</b>	Yes, with Chair Craig Drummond, Company Secretary Fiona Last and Investor Relations Craig Stafford

### 1. How we intend to vote

2a	Election of Gary Lennon as a Director	For
2b	Re-election of Craig Drummond as a Director	For
2c	Re-election of Timothy Reed as a Director	For
2d	Re-election of Robert Whitfield as a Director	For
3	Adoption of Remuneration Report	For
4	Approval of Performance Awards to CEO Michelle Jablko	For

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

### Summary of Issues for the meeting

The key business issue facing Transurban is the outcome of the NSW Tolling enquiry. All indications suggest a relatively neutral outcome.

On the governance side, the board skills in engineering are still below par and need to be addressed before Peter Scott, the only engineer on the board, retires at the end of his tenure.

## 3. Matters Considered

### Key events

The Independent Review on Toll Reform in NSW released its final report in July 2024. Transurban has a monopoly on private toll roads in Sydney. Among the options flagged in the report was, at its most extreme, a resetting of tolls which would put Transurban's contracted toll arrangements at risk. Other options include distance-based tolling and improved transparency. Transurban is working with the NSW government as it determines its policy response to the report.

In 2023, the ACCC ruled that Transurban could not bid for part ownership of Melbourne’s East Link. Transurban sought legal advice but chose not to appeal the decision.

### Key Board or senior management changes

Newly appointed CEO Michelle Jablko reset the leadership team. She appointed long-term executive Henry Byrne to fill her vacated CFO role, consolidated state-based executive leaders into a single national role, and appointed a Chief Commercial Officer.

Mr Gary Lennon was appointed a director in March 2024 to replace Terence Bowen who resigned in October 2023. Mr Lennon is up for election at the AGM. See below for more detail.

### Key Financials

Average daily traffic numbers increased by 1.7% including the new M4-M8 link tunnels and opening of the Rozelle interchange, both in Sydney, and the opening of the Fredericksburg express lanes extension in the Washington DC precinct.

Work on three other projects is nearing completion with the largest, Melbourne’s Westgate Tunnel, due to open at the end of 2025.

The best measure of Transurban’s financial performance is earnings before interest, tax, depreciation and amortisation (EBITDA) because various accounting rules makes their statutory Net Profit After Tax (NPAT) number bounce around. In FY24, Transurban recorded another record EBITDA result, up by 7.5%, as more new projects came on line. Further improvements can be expected given three new projects are due to open by 2026, and toll escalation clauses provide inflation protection.

	2024	2023	2022	2021	2020
Statutory NPAT (\$m)	\$376	\$92	\$16	\$3272*	(153)
U’lying Proportional EBITDA (\$m)	\$2631	\$2448	\$1900	\$1836	\$1888
Distribution per Share (cents)	62	58	41	36.5	47
Share Price at End of FY (\$)	12.40	14.25	14.38	14.23	14.13
Statutory CEO Remuneration (\$)	\$3.9m <sup>1</sup>	\$6.5m	\$4.3m	\$5.5m	\$4.6m
Actual CEO Remuneration (\$)	\$2.7m <sup>1</sup>	\$5.5m	\$5.7m		
Total Shareholder Return (%)	-9%	3%	4%	3%	-1%

*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 <sup>1</sup> CEO for part year only.*

### 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.
- The Board comprises 40% female directors (4 of 10.)

#### Areas for Improvement

- The Board could strengthen its skills in project management and infrastructure, particularly engineering skills given the forthcoming retirement of director Peter Scott.
- The ASA prefers a more fulsome and informative skills 'matrix' to be disclosed.

#### Summary

The company is generally well governed.

## 4. Rationale for Voting Intentions

### **Resolution 2a: Election of Gary Lennon as a Director (for)**

Mr Lennon was appointed to the board in March 2024. He holds a degree in Economics and is a Chartered Accountant. His corporate executive experience is in the financial industry. He was previously CFO for National Australia Bank. He has previous board experience with Bank of New Zealand. He has no other ASX-listed directorships. He is considered independent.

The ASA proposes to support his election.

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

Mr Drummond has qualifications in commerce. He was appointed to the board in July 2021 and has been Chairman of the board since 2022. His corporate executive experience includes being CEO of Medibank Private and head of Strategy and Finance at National Australia Bank. His security holding is approximately equal to his base fee. His workload is within acceptable limits. He is considered independent.

The ASA proposes to support his election.

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

Mr Reed has qualifications in commerce and has been on the board since November 2020. His corporate executive experience is in the technology sector. He was previously CEO of MYOB and is currently co-CEO of a private equity firm focused on the technology sector. He has adequate skin-in-the-game (shareholding). He has no other ASX-listed directorships. He is considered independent.

ASA proposes to support his election.

### **Resolution 2d: Re-election of Robert Whitfield as a Director (for)**

Mr Whitfield with qualifications in commerce, banking and finance, was appointed to the board in November 2020. He is currently a non-executive director of the Commonwealth Bank. His

corporate executive experience was with Westpac Bank. His security holding is in excess of his annual board fees. His workload is not excessive. He is considered independent.

The ASA proposes to support his election.

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

The CEO remuneration framework for the CEO was unchanged in FY24. The fixed remuneration of the CEO has been increased by 3% for FY25. See Appendix for details.

#### *FY24 outcome*

The CEO scored 92% against target on STI performance. None of the LTI's vested because the TSR measure was not achieved.

Non-executive director fees were increased by around 3% after an increase of 10% last year. The ASA would prefer a period of fee stability rather than a ratcheting up of fees every year and the resultant flow on effect onto benchmarks.

#### *Conclusion on Remuneration*

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

### **Resolution 4: 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.

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## Appendix 1

### Remuneration framework detail

The following table sets out the remuneration framework for the CEO Michelle Jablko for FY25.

CEO rem. Framework FY25	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	2.06	37%	2.06	25%
STI - Cash	1.03	18%	1.55	19%
STI - Equity	1.03	18%	1.55	19%
LTI	1.51*	27%	3.03	37%
Total	5.63	100%	8.18	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 benchmarks.
- The quantum of Board fees is reasonably within 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.
- 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

- The remuneration report should clearly disclose the KMPs contracted annual fixed remuneration package (TEC).
- Not all share grants are satisfied by equity purchased on-market, with most being issued.