

Cleanaway delivering on its BluePrint 2030 growth strategy

Company/ASX Code	Cleanaway Waste Management Limited/CWY
AGM time and date	11am Queensland time – Friday, 25 October 2024
Location	Long Room, Customs House, 399 Queen Street, Brisbane
Registry	Computershare
Type of meeting	Hybrid
Monitor	Meredith Clarke
Pre-AGM Meeting	Yes, with Chair - Philippe Etienne; Non-Executive Director - Samantha Hogg; General Counsel, Company Secretary - Dan Last and Head of Investor Relations - Josie Ashton

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1	Financial Statements & Reports	No vote required
2	Remuneration Report	For
3a	Re-elect Ingrid Player as a Director	For
3b	Elect Robert Cole as a Director	For
4a	Grant performance rights to Mark Schubert under the LTIP	For
4b	Grant deferred equity rights to Mark Schubert under the DEP	For
5	Renewal of proportional takeover provisions in Constitution	For

2. Summary of Issues and Voting Intentions for AGM/EGM

1. Blueprint 2030 Strategy is showing positive impact.
2. Net Profit after tax improved, no 'under the line' write-offs, improvement in EBIT, Net Profit after Tax, EPS and ROIC.
3. Workforce stabilised and gender balance improving.
4. Reduction in greenhouse gas emissions and increased revenue from landfill gas capture.
5. Board renewal continuing.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Commendable results for FY24:

- EBIT 359m vs aim of 350m = 100 basis points increase in EBIT
- NPAT & EPS = 15% increase
- ROIC = 60 basis point increase from 4.9% to 5.5%

Cleanaway delivered a strong FY24 result and continues to move along the path of its Growth Strategy 2030. The company has been meeting the targets outlined and operational efficiency wins are beginning to flow through.

The Group posted an impressive increase in NPAT and scored positively on most items on their scorecard.

NPAT was \$158.2 million for FY24, up from \$23.5 million in FY23. Underlying net profit after tax grew by 14.8 percent to \$170.6 million. Pleasingly there were no unexpected 'below the line' write downs.

Cleanaway has three main operating divisions:

- Solid Waste Services
- Liquid Waste & Health Services
- Industrial Waste Services.

Solid Waste Services and Liquid Waste & Health Services reported positive results. Industrial Waste Services was the only division which did not return positive results, which according to the company, is because of a downturn in construction and development waste.

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	156.6	21.6	80.6	147.7	123.1
UPAT (\$m)	169.0	146.7	145.0	153.2	139.9
Share price (\$)	2.77	2.59	2.52	2.64	2.20
Dividend (cents)	5.00	4.90	4.90	4.60	4.10
Simple TSR (%)	8.8	4.7	-2.7	14.7	40
EPS (cents)*	7.0	1.0	3.8	7.0	5.5
CEO total remuneration, actual (\$m)		2.8	2.4	6.1	7.5

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

* NB- It was noted in the annual report that the calculation of EPS for comparative years prior to FY23 was adjusted to reflect the bonus element in the equity raising which occurred during August 2022 and September 2022.

Governance and culture

Cleanaway has a total of seven directors, four of whom are male and three of whom are female resulting in a gender balance of 60%/40% which aligns with the ASA guidelines.

Three directors effectively retired in the 2024 financial year with Ray Smith retiring from the Board in August 2023, Mark Chellow retiring in September 2023 and Terry Sinclair retiring in April 2024.

Robert Cole was appointed to the Board on 12 March 2024, replacing Terry Sinclair.

Cleanaway has included gender balance, staff turnover and safety as part of the overall measures and they are included in the Short Term Management Incentive (STMI) for the senior management team.

Key events

Acquisition of the waste and recycling business of Citywide Service Solutions Pty Ltd (**Citywide Waste**). This was announced in June 2024, was subject to ACCC review and has been approved.

(Citywide Waste provided waste management services in Melbourne to municipal councils, and commercial and industrial customers. It also operated the Dynon Road transfer station).

Key board or senior management changes

With the exception of the appointment of Robert Cole to the board there has been no major change to the board or senior management in the last 12 months.

Sustainability/ESG

Cleanaway issued its Sustainability Report on the same day as the Annual Report. It has based its sustainability program on four pillars of:

- i. Recovering resources,
- ii. Protecting the environment,
- iii. Reducing emissions and
- iv. Working together.

It scored positively on all four with an increase in recycling and recovery efforts, and no major or significant environmental incidents in FY24.

The company is continuing to work on improving its Health and Safety record and has instigated an additional measure. Its gender statistics are improving, and its greenhouse gas emissions have reduced. Importantly, all of these are included in the measurements for the CEO's pay and the pay of other team members.

Cleanaway has an ongoing emissions reduction plan, including investing in landfill capping and gas capture to achieve further methane gas reductions. It is also exploring other avenues, including use of renewable diesel, as well as other opportunities to invest in the so-called circular economy.

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

Fair treatment of shareholders - Once again the company is holding a hybrid meeting which makes it easier for all shareholders to participate.

Building better oversight – directors and boards – The preference for a board skills matrix that assists shareholders in making their voting decisions was discussed. It would be preferable to be able to see the skills attributed to the individual directors in a clearly defined format. Currently the annual report does not include a copy of the directors’ skills matrix. This is included in a separate report that is tendered to the ASX – the Corporate Governance Report. It is recommended that the company consider including a skills matrix in the Annual Report as well as the Governance Report so that it is easy for all shareholders to access, or, at the very minimum, to do as it has with ESG to make a note to visit the report at [Corporate Governance | Cleanaway](#)

At the pre-AGM meeting with the Chairman and others we raised the issue of director workload. We are comfortable that the board understands the importance of directors being able to effectively manage their board commitments and that all directors are able to do so.

The issue of cyber and data risks to shareholders was also raised and discussed. The board and the company take these risks seriously and have invested the appropriate time and management to address these risks. It was interesting to note the comment of ‘not if, but when’ and the measures being taken to ensure that any attack would be managed effectively and efficiently with minimum business disruption.

4. Rationale for Voting Intentions

Resolution 2 Remuneration report (for)

In early FY24 (October 2023) the company made a number of changes to the Executive Key Management Personnel (KMP) fixed remuneration levels following receipt of external benchmarking data. The increases were between 2.5% and 4%. This increase in remuneration was not out of line with peers.

The board has continued to review and amend its remuneration structure following the first strike against its 2022 remuneration report. Following on from the changes made for FY24; namely changing Group Underlying EBIT to constitute 60% of the Short Term Incentive (STI) scorecard; removal of net revenue as a performance measure and the inclusion of ROIC, additional changes have been made. For 2025, the STI has had the deferred portion increased from 20% to 33% (which is still short of the ASA preferred position of 50%) and a deferral service condition has been included. Full details are included under Section 7 of the Annual Report.

Resolution 3 Election and re-election of Directors (for)

Except for the newest director, Robert Cole, who only commenced 12 March 2024, all the directors all have ‘skin in the game’.

The chairman, Philippe Etienne, held 152,202 shares at the end of FY24 and has recently acquired an additional 12,090 shares; Samantha Hogg holds the least shares with 20,000; Ingrid Player holds 50,000, Michael Kelly holds 87,198, Jackie McArthur holds 61,453 and Clive Stiff holds 98,759 shares.

We encourage all directors to consider increasing their holdings towards the equivalent of 12 months fees as their circumstances and the trading window allows. We are supporting the re-election of Ingrid Player but would encourage her to acquire additional shares during the allowed transaction period.

Resolution 3a Re-elect Ingrid Player (for)

Ingrid Player has experience in mergers and acquisitions, corporate governance, capital developments and risk and sustainability and a background in relevant industries. She has been a board member of Cleanaway since March 2021. Ingrid is also a non-executive director of Integral Diagnostics Limited (2023), Cogstate Ltd (2019) and Epworth Foundation (2021).

Resolution 3b Elect Robert Cole as a Director (for)

Robert Cole joined the Cleanaway board in March 2024 following the retirement of Terry Sinclair.

Robert is currently a member of both the Audit and Risk Committee and the Human Resources Committee. He brings over 35 years' experience in commercial operations, business strategy and planning obtained mainly in the energy, resources, infrastructure and legal industries and he holds a Bachelor of Science and a Bachelor of Law (Honours) from the Australian National University and has completed the Harvard Business School Advanced Management Program.

Robert is the Non-Executive Chair of Iluka Resources Limited (Since April 2022) and Perth Airport (since January 2023) and is Pro-Chancellor of Curtin University. Previously he was the Chair of Perenti Ltd, Electricity Generation and Retail Corporation, The Southern Ports Authority, the WA Land Information Authority, and Executive Director at Woodside Petroleum Limited, Managing Director of Beach Energy and partner-in-charge of law firm King and Wood Mallesons in Perth.

From speaking with Cleanaway, we are confident that he has sufficient time to fulfil his responsibilities on the Board and understand he has already made a significant effort to learn about the company and has provided significant input.

We will vote undirected proxies in favour of his election.

Resolution 4a Granting of Performance rights to Mark Schubert under the Long-Term Incentive Plan (FY25 LTIP Offer) (for)

The meeting is seeking approval to award the allocation of 715,806 Performance Rights to CEO Mark Schubert in the form of shares in Cleanaway, in accordance with the remuneration Long-Term Incentive Plan (LTIP).

These Rights hold an equivalent value of \$1,982,997 which is set at 120% of his fixed annual remuneration for FY25.

The rights are calculated by dividing his total fixed remuneration of \$1,652,500 by the 5-day volume weighted average price of Cleanaway shares for the five-day trading period ended 30 June 2024 which was \$2.7703.

These Performance Rights are scheduled to vest three years from now, contingent upon meeting specified performance criteria on four separate measures:

- (i) Relative TSR (40% weighting),
- (ii) Underlying EPS CAGR (20% weighting),
- (iii) FY27 Green House Gas (GHG) target emissions (20% weighting) and
- (iv) Underlying EPS CAGR (20% weighting).

The performance rights lapse if the performance measures are not met at the end of the performance period.

Full details for the granting of these performance rights are included in the Notice of Meeting sent to all shareholders. The awarding of these performance rights aligns with ASA policy, so we are supporting this resolution.

Resolution 4b Grant of deferred equity rights under the Deferred Equity Plan (2024 DEP Offer) (for)

This resolution seeks to obtain approval for the granting of deferred equity rights of 136,004 shares which have a face value of \$376,774. Cleanaway required 20% of Mark Schubert's actual STI for FY24 to be awarded as deferred equity rights. The details of these FY24 STI are outlined in the FY24 remuneration report.

The number of rights to be granted has been calculated by dividing the face value of the STI deferred component of \$376,774 by \$2.7703 - the 5-day volume weighted average price of Cleanaway shares for the five-day trading period ended 30 June 2024.

We are voting in favour of this resolution.

Resolution 5 Review of proportional takeover provisions in the Constitution (for)

The company is asking shareholders to renew the current proportional takeover provisions in the constitution. These were last renewed with shareholder approval for a period of 3 years with effect on and from 31 October 2021. Accordingly, they will cease to operate on 31 October this year unless the resolution is approved. If the resolution is approved then it will apply for a further three years from the effective date of the renewal, that is, until 31 October 2027.

As these provisions protect the interests of all shareholders by allowing a vote on any proportional takeover, we are voting in favour of the resolution.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY25	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.7	31%	1.7	29%
STI - Cash	1.1	21%	1.884	24%
STI - Equity	0.6	10%	0.7	12%
LTI	2.0	38%	2.0	35%
Total	5.3	100%	5.6	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. Some remuneration framework set a maximum opportunity amount, but not all.