

TRANSCRIPT

Mr Harding: Well, good morning, ladies and gentlemen. My name is Mike Harding, and I'm Chairman of Downer EDI Limited. I would like to begin today by acknowledging the traditional owners of the land on which we meet today, 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 2018. Based on the numbers of voting members in attendance today, I declare a quorum for this meeting. Before I commence today's proceedings, I would like to draw your attention to the safety procedures for the venue. When notified of an emergency, which will be a voice you hear through the speakers in the auditorium, please evacuate the building immediately via the nearest exit. Please make sure you do not use the lifts, and proceed to the designated assembly area, which is across the road on the map next to the multi-storey car park, and please don't enter the building until authorised.

I would now like to introduce my fellow directors. On my far left is Annabelle Chaplain, then Phil Garling, Teresa Handicott, Grant Thorne and Nicole Hollows. Next, is our company secretary, Peter Lyons, and on my immediate left is our Chief Executive Officer, Grant Fenn. I would also like to introduce our Chief Financial Officer, Michael Ferguson, who is in attendance today. I know that John Teer and Cameron Slapp, representing our auditors, KPMG, are here today and will be available to answer questions on the auditor's report later in the meeting.

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 at the end of the meeting. The meeting will consider the items of business outlined in the Notice of Meeting sent to all shareholders on 27 September. There will be opportunities for shareholders to ask questions on resolutions, and any questions will be confined to the formal business of the meeting. Only those persons holding a blue or yellow card are eligible to ask questions. 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, and 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 Notice of Meeting has been sent to all the registered members, I move that the Notice of Meeting will be taken as read. The Minutes of the previous Annual General Meeting have been approved and signed in accordance with the *Corporations Act* and a copy is available should any member wish to see it. 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 have been received on that item will be displayed up on the screen. As mentioned earlier, all resolutions will be decided by a poll at the end of the meeting.

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 30 June 2018. The Annual Reports have been made available to shareholders and, with it, the Notice of Meeting, which has been held by members in excess of the minimum period. The Annual Report is available on the company's website, and additional copies are available for those present today. Before opening item number one for discussion, I will present the Chairman's address and, following that, I will invite your Chief Executive Officer, Grant Fenn, to provide an update on the Group's operations.

Ladies and gentlemen, I'm pleased to report that Downer has had another good year. This includes meeting guidance for the seventh consecutive year and increasing the dividend paid to you, our shareholders, from 24 cents in 2017 to 27 cents in 2018. Importantly, our safety performance has been very good and we remain vigilant about the critical risks facing our business. Our sustainability

report continues to improve, and this year we received a very positive review from a number of independent organisations, including a leading rating from ACSI, the Australian Council of Superannuation Investors, when it assesses against the top 200 companies.

The integration of Spotless is going well. From an operational perspective, Spotless is now considered to be one of Downer's four divisions, along with Transport and Infrastructure, Mining, Energy and Industrials and New Zealand. Grant will provide more detail about this later on. Our two new significant train projects, Sydney Growth Trains and Melbourne High Capacity Metro Trains are progressing well. The Sydney Growth Trains are now going through their performance testing and, in Melbourne, the High Capacity Metro Trains are arriving from China and being assembled in our Newport facility. I'm very pleased that Nicole Hollows joined the Board this year. Nicole has experience as both a CFO and a Chief Executive Officer of a publicly listed company, and she is a valued addition to our Board.

Finally, I would like to thank Grant and his executive team for a very strong performance this year, and I'd like to thank all our shareholders for their support during the year. I'll now hand over to Grant to provide an update on the Group's operations.

Mr Fenn: Thank you, Mike. Ladies and gentlemen, I am very pleased to report that Downer has delivered another strong result for the 2018 financial year, and that we are expecting 13% growth in the 2019 financial year, and that's in the top quartile of growth expected in the ASX 100. I'd like to mention a few of the highlights for our financial performance in 2018. First, we met guidance for the seventh year in a row. This year, that meant delivering consolidated underlying net profit after tax and before amortisation, or NPATA of \$295 million, despite the sale of the freight rail business halfway through the year and a softer result from our mining business. The competitive landscape remains tough, however, all six of our service lines achieved revenue growth in 2018. Transport increased by 31%, rail by 38, utilities 18, EC&M, 20, mining 4.5 and Spotless also at 3.

Importantly, we continued our strong cash performance with cash flow conversion of 91% of EBITDA, despite the negative impacts of the new Royal Adelaide Hospital and some substantial one-off costs. This is Downer's seventh year of cash flow conversion in excess of 88%, and it highlights the fact that we are a reliable and predictable cash-focused service business. We've maintained a strong balance sheet with gearing at 22.7%, and we have undrawn funding capacity in cash of more than \$1.5 billion. Work in hand has increased to \$42 billion, which means we have a very solid pipeline of work well into the future. The total dividend increased, as Mike has said, to 27 cents per share, up from 24 cents per share last year. Most importantly, we continue to perform well against key health and safety indicators, the lost time injury frequency rate and the total recordable injury frequency rate, and we remain focused on managing the critical risks across the Group.

As Mike mentioned earlier, we have also significantly improved our sustainability reporting. Our Sustainability Report is available on our website, and we have copies here for you to pick up later on if you wish to take them home and read them. It's a very good read. Our strong performance and increased dividend are, again a welcome outcome for you, our shareholders, and I thank you for your continued support. I would also like to thank our people for their very hard work during the year and their contribution to our results. This is very much a people business.

I'm pleased to say that we're performing in line with expectations in the first few months of the new financial year, and I confirm that Downer is targeting consolidated NPATA of \$335 million, before minority interests, for the 2019 financial year. This 13% increase in our guidance for 2019 reflects Downer's position in our major markets. We are leaders in the roads market in both Australia and New Zealand, and we expect the demand for our network management and related maintenance services to remain strong. We are not major civil constructors, however, growth in road construction in Australia will benefit our road surfacing and bitumen product business. Our market leadership in

asphalt and emulsion technology, including recycled inputs, will also help us to grow as we provide smart solutions for our customers.

Non-residential commercial building will remain strong in New Zealand, with significant demand for Hawkins' services. Downer will continue to benefit from significant government investment in public transport in both Australia and New Zealand, particularly light and heavy rail, and we also expect further outsourcing of government bus networks. We expect the telecommunications market to stay relatively buoyant over the next few years, while growth in utilities will be driven by wind and solar projects in Australia and New Zealand. Water, gas and power distribution will continue to grow, and we expect there to be major investment in upgrading and extending Australia's transmission grid to cope with the requirements of renewable and energy storage capacity, and Downer is the market leader in this field.

Population growth and government outsourcing will drive growth in social infrastructure opportunities across most Australian states in health, education and other government services, such as Defence. While there is a decline in oil and gas construction as the major LNG builds come to an end, we're growing our asset services business in this sector. With 25 process trains soon to be in operation around Australia, there are significant opportunities in shut-downs, turnarounds and general maintenance. There will also be increased investment in greenfield and brownfield iron ore projects. At the same time, our mining business is becoming more efficient and looking to improve asset utilisation to take advantage of the market.

Ladies and gentlemen, it has been just over a year since we closed our offer for all of the shares in Spotless Group Holdings Limited. This acquisition is a significant investment in growth for the Downer Group, and the strategic rationale for it remains very compelling. The combination of capabilities we now have with market-leading positions across many sectors allows us to deliver a broader range of services to both existing and potential customers. The acquisition strengthens the Group's position as a stable, services-focused business with resilient earnings. Significantly, it enhances our ability to benefit from the continued trend towards government outsourcing, and Downer's strong balance sheet means we can continue to invest in existing businesses as well to pursue future growth opportunities.

There are already many examples of benefits of Downer and Spotless working together. Over \$100 million of work has been secured through joint bidding, for example, the Victorian Police Headquarters in the Melbourne CBD and the Ballarat Energy Storage project. Spotless is now delivering over \$150 million of work for Downer that was previously contracted to other companies. This includes cleaning trains, NBN line work and facilities management at Downer offices. We've only scratched the surface and we continue to discover new opportunities. The combination of Downer and Spotless means we are stronger today and have even more exciting prospects for the future.

Ladies and gentlemen, the Downer Group has leading positions in all of the markets in which we operate. We delivered a strong result in 2018 and have forecast good growth, strong growth, in 2019. Thank you again for your support, and I'd now hand the meeting back to our Chairman to discuss the items outlined in the Notice of Meeting. Over to you, Mike.

Mr Harding: Thank you, Grant. 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 the reports. Accordingly, item number one is for discussion only, and there'll not be a vote on this item. I remind you that only shareholders of the company or their duly appointed representatives or proxies are permitted to ask questions. If you do have a question, please raise your hand and we'll bring a microphone to you. So we're open for questions.

Question: *Thank you, Mr Chairman. And I'd like to thank you and the Board for your performance during the last year. My only question and concern is the level of equity holdings by the non-executive*

directors. What is Downer's position on that? Do you have a policy or guidelines on the volume of shares?

Mr Harding: I get asked this question every year, and it will come up with Phil, I guess, later on. There's no policy at all and, to me - and I've been asked the question by Nick every year - I don't think it would matter to Phil or myself if I held one share or a million shares, the performance would still be the same. And I did try and buy some of this last week, but I couldn't for a variety of reasons.

Question: *Okay. Just from a shareholder's perspective, whilst the performance may not alter regarding your shareholding, we do feel that the Board should have some skin in the game and that's the reason for the question, but thank you.*

Mr Harding: It's a very fair question. Thank you. Nick?

Question: *Thank you, Mike, or Mr Chairman. A few questions. I won't hold the floor. I might ask one of two, and then someone else can ask some questions, then I'll ask my other questions. Just to focus on the Spotless Adelaide Hospital contract, which apparently, as outlined in your Annual Report, has been a bit troublesome, the prospective incurred serious operating losses of about \$93.8 million after tax, which would be a bit of an impact on the Group, are possible in that regard. I understand that some of these outcomes are disputed and there are attempts being made at arbitration with Celsus, who we're subcontracting to, and the South Australian government. Could you, for the benefit of our shareholders, just enlarge on that issue for us, please? Thank you.*

Mr Harding: Yes. If you don't mind, Nick, I'll ask Grant to speak to that if it's possible.

Mr Fenn: Yes, thanks for the question, Nick. Look, just a little bit of history on this particular project. Spotless bid this service contract back in 2010. What they bid was a brand new state-of-the-art hospital that would work in particular way, a very efficient way. What has transpired is that the hospital, in fact, is not operating as was intended and it's not as efficient as it should be in a whole host of ways, and that is impacting on Spotless. So, at the moment, we're in discussions with both Celsus and the State in mediation, in fact, around how we address those issues from a contractual perspective. They continue. We're not at a point yet where we're ready to disclose anything around those discussions, but we're working very hard on getting a solution. Spotless is doing a very good job in that hospital, and really helping the hospital actually function. So we're very hopeful that that will be sorted out.

Question: *Thank you for that. Does someone else want to ask a question before I return to my other questions?*

Mr Harding: There was a gentleman over there, Nick.

Question: *Hello. Thank you, Mr Chairman. This is a question specifically for the auditor. Does the auditor consider climate risk as a material financial risk when reviewing the federal year '18 Financial Report?*

Mr Slapp: Thanks for the question. To answer that, yes, we do consider all risks to the extent they're material to the financial statements. So to the extent that climate risk is material, we do consider it.

Mr Harding: Can I add a bit, please? And I don't know who was here last year, but do you remember we had the Adani people in the room where we went for hours on TCFD and what are we doing in climate change. Both Grant and I mentioned earlier on about our Sustainability Report, and we do take TCFD, and climate change - it's very important to us. And this year, which will be finished by Christmas, we're going to look at three things because TCFD is a result of if you want the government changing legislation and the financial effect it has on us. So there's three things we're looking at. If, let's say, the Australian government - and don't go out there and say they're going to do it - these are

the three things we're looking at; if they stopped thermal coal, would it affect us financially, if energy prices went up really high, would that affect us, and if there was rising sea levels. So we're going to look at that, how that could affect Downer and then report on it at the end of the year. There's not much in the Sustainability Report. There's a lot more in the Financial Report because it's a financial consequence.

Question: Good, thank you. I have a second question related to that which I can't quite scroll up on my screen.

Mr Harding: Well, don't worry. Make it up.

Question: Yeah. Now I've got it. So from our 2018 Sustainability Report, which you just referred to, with regards to the assessment against the TCFD.

Mr Harding: The TCFD, yeah.

Question: Yeah. Stemming from the risk and opportunity analysis this year, our initial focus for the scenario analysis will be in the following areas.

Mr Harding: The three I've said, yes.

Question: That's right. Your outlook for coal, impact of extreme weather and energy transitions.

Mr Harding: Yes.

Question: Can the Board confirm that all aspects of our business that are exposed to climate related risks are being covered in the scenario analysis and, if so, which scenario analyses or scenarios are considered, and can the Board provide a timeline for when this analysis will be disclosed to shareholders?

Mr Harding: Well, if you want the honest answer, no, probably. We're doing three things now and that'll be a next step and I don't know the timeline. I know the timeline for the three things we've said, it's Christmas, but we'll take on notice what you've said. And I think we'll look at the three high-level ones, then we will look at more detailed ones as we go along. We've got to start somewhere and we're one of the leading companies in Australia that's starting. So I can't answer the question honestly.

Question: Well, you are saying that this is a starting point.

Mr Harding: But we're thinking of it, yes. We'll get there as little steps.

Question: So it's unlikely to be reported in financial year '19 report?

Mr Harding: I don't know - financial year '19, we'll probably have the result of the three things I've said.

Question: Right.

Mr Harding: But the detail and all the businesses, I would suspect not.

Question: Good. Okay. Thank you.

Question: Mr Chairman, Spotless is defending a claim made that it engaged in deceptive or misleading conduct during the financial year ending 30 June 2015, for which it hasn't made any provision, I suppose anticipating a successful outcome in that regard. Now, I'm not inferring at all that

there's any merit in the claim made against it, possibly not, but would you make some comment as to how that could possibly or prospectively impact on the--

Mr Harding: I can't, Nick. It's a Spotless class action. We've had them, and I can't comment publicly on class actions.

Mr Fenn: Other than to say, Mike, that it will be vigorously defended.

Mr Harding: Yes.

Question: *Good. Okay. Great. And with regard to Spotless, Ms Dana Nelson, she was the former Spotless CEO, I think, and then she's been replaced by Peter Tompkins, who is your former company secretary and senior counsel. I just ask the question as to the circumstances of her departure and his capacity to transition from the general counsel role and the company's secretary role to the CEO role. They are different skills. I'm not saying he doesn't have them, but just to avail the audience of his skills in that regard.*

Mr Harding: Nick, [inaudible] background to allow me to talk to that, but I don't want to be standing here talking about individuals in a public forum. That's not fair to you or to them or to me, so you might want to say a few more words.

Question: *Yeah, I do appreciate what you say, and I appreciate your last remark, but in as much as it impacts on the company running and affairs--*

Mr Harding: That's a fair comment. Go on, Grant.

Mr Fenn: I'll start with Peter Tompkins who has been the general counsel and Company Secretary for the business for the last, let's say nine years, certainly eight-and-a-half. Peter has been a very key member of the Executive Committee at what I would call an operational level. So whilst he is the general counsel, the way that the general counsel interacts with the operating parts of the business is very entwined. So we run our Executive Committee in such a way that I would say Peter has an enormous amount of operational experience. In the last 12 months, Peter has spent a lot of time within Spotless, particularly on a number of contracts, including the Royal Adelaide Hospital. So he, we believe, is very highly attuned to the requirements of Spotless and we think he will be an excellent CEO. Dana did an excellent job for us in the last 12 months in the integration effort when we brought Spotless into Downer, but Peter takes over and we think he'll do a very good job.

Question: *Okay, thank you for that. And you've recently won five new mining contracts. Perhaps you might care to make some comment or give some guidance as to how they might favourably impact on EPS growing going forward.*

Mr Fenn: Well, our mining business, yes, it has won a number of contracts in recent times. It's been very good. We've put quite a bit of effort into our operational performance and work with new customers, particularly in the underground area, so we're very pleased with that. You would probably know, if you've been an investor in the business for a number of years, that mining, historically, has been a very good performer for this business. The last couple of years have been more difficult. It's a business that has 10 major customers and, on those occasions where contracts aren't renewed or where our services are taken in-house, that can be quite material. So we have seen, over the last couple of years, the earnings in that business reduce. Last year, EBIT for the mining business was \$50 million, Michael. We are expecting an improvement, a significant improvement in that in 2019.

Question: *Thank you. And just, finally, more a comment than a question, and that's with regard to the formation of your Annual Report. You've produced a very good result and can I suggest the layout of the report should make it easier for the reader to happily discern the happy circumstances of EPS and*

earnings having gone up, rather than having to look through various pages and struggle with the index, as opposed to, perhaps, putting financial highlights closer to the front of the report?

Mr Harding: We'll have a good look at it, Nick. Yes. A gentleman there.

Question: *Thank you, Mr Chairman. Ed Waldren, shareholder. I, too, agree this director should have skin in the game. Most companies on the top 100, the policy is the equivalent of one year's director's fees.*

Mr Harding: I understand.

Question: *I can accept Ms Hollows is not quite there yet because she's only just come onto the Board, and I notice everybody else has got shares, so I do congratulate you. In terms of Spotless, we don't own 100%, so there's obviously a costs factor there. Have we had a look at how much that's costing us, running two public companies, because obviously we're running two head offices, obviously there's a lot of other cost. How significant is the cost in that area of running two public companies?*

Mr Harding: Yes, we've had a good hard look at that. Grant knows all the numbers, so over to you, Grant.

Mr Fenn: Yes. If we add everything up that we can possibly think of in relation to running two public companies, we think it's around about \$3 million.

Question: *Thank you.*

Mr Fenn: It's not having a large impact on how we run the two businesses, though. We are running Spotless entirely as a division of Downer. We're getting a lot of synergies out of running those businesses together, so don't be concerned that not having 100% entirely means that we're somehow not optimised in that effort, but it does cost us around \$3 million to run the public company.

Question: *I'm well aware of that, and there's probably some others that you can't even count, so the quicker we can sort that out. I do notice, and having a word with the Chairman earlier, we all know that Spotless is probably up to \$1.50, and we know there's only one shareholder there pretty much. The rest would probably be taken out with a normal take-out, so let's sort that out as quickly as possible.*

Mr Fenn: I'm with you there.

Question: *I do notice, and I'm very heavy on occupational health and safety, no harm, I think, is very, very good but this year, and I noticed on page 13, Downer has lost time injury frequency rate increased, you said.*

Mr Fenn: Yes.

Question: *It has actually worsened from 0.55 to 0.78. Now, mind you, those figures are probably very, very good, but let's be a little bit careful that we don't just take it as gospel that these figures are going up. I was looking for a long word. It's taken me over a couple of hours to figure out the word is 'worsened'. So I emphasise - and I actually congratulate the Board on taking on a No Harm Committee as well. So let's continue on and continue the effort. Some companies do very, very badly in this area, and it's a cost if you don't do it properly. Thank you.*

Mr Harding: Yes, it is. Thank you. There was a gentleman here.

Question: *Thank you, Mr Chairman. Late last year Downer made the decision to walk away from the Adani Carmichael project after some pretty bad publicity. This looks like a wise move, in hindsight,*

with the project still unable to find financial backing and its unpopularity only increasing. You've already made indirect reference to this. I just wanted to ask has this experience changed Downer's attitude to working on future greenfield coal mining projects?

Mr Harding: I don't think so, no. No, we look at it as a business and look at the environmental aspects and the safety aspects and the business ones around any coal mine, if you're going to refer to a coal mine, and make a decision on that basis. Were you here for Adani last year?

Question: *Yes, I was.*

Mr Harding: Whose side were you on, mine or theirs?

Question: *We're all on the same side.*

Mr Harding: Yeah. Anyway, we stopped work on it. We said we'd help Adani through until, I think it was March of this year, and then we've stopped all work on it, but I noticed in the paper yesterday it's picking its head up again.

Question: *Yes, it doesn't seem to go away.*

Mr Harding: No.

Question: *It's a zombie. If I could ask another question, perhaps? Based on our 2017 Sustainability Report, Downer acknowledged the need to consider additional ways we can address our climate change impacts in line with the Paris Agreement. However, from our 2018 suite of reports, it isn't clear whether our company supports the Paris Climate Change Agreement, which aims to limit global warming to well below two degrees centigrade. Does the Board support this goal and agreement, which has now been ratified by 179 countries, and, further, is our current business strategy aligned to a particular outlook for global or national energy projections and analysis? If so, which outlook and what policy scenario does it consider?*

Mr Fenn: Yes, look, our approach to this is very much aligned with where the government sits. So the fact that it has ratified the Paris Agreement, and its regulations and targets sit within that, then we're very much, as part of the broader industry, looking to achieve what we can. You'll see in the Sustainability Report that we go to great efforts to reduce our own greenhouse gas emissions, and also those that we can influence of our customers. We touched on a little earlier, we are also now looking at each part of our business as to potential impacts of climate change and what we might be able to do now to address those things earlier than perhaps we would have otherwise done. We are very attuned to what's expected of a business of the stature and size and importance of Downer, and we absolutely do our job in respect of both climate change and our own emissions reductions. We do a lot of work in this area and spend a lot of money on it.

Question: *Thank you for that. Would you say, just finally though, that you would target Downer's activities to conform to the two degrees C target?*

Mr Fenn: Well, the two degree target is a very broad target across all of the world. I'm just not sure exactly how you want to correlate our work to that. But, as I said, in all possible ways, where we can, where it makes very good sense and in line with expectations, we are doing everything we can to reduce our own emissions and those of our customers.

Question: *Okay.*

Mr Harding: I think on the last three years, we've come on leaps and bounds on sustainability. If you go back three years, I would think we probably couldn't even address any of your questions, to be honest. So in those three years we've come on, and I've said to you the three or four items we're

looking at, and it's a journey for us, more detailed things we'll look it. For example, I had to go to a safety meeting with a very large company that didn't know anything about safety. I mean, we drifted onto this and I found things out from the lady who runs us in terms of sustainability. We don't use things like diesel anymore, we use bio-diesel. We won't use palm oil, so we are taking our steps to get there, but that's where we are. We'll move along.

Question: *Sorry. Look, I was struck by your statement that you would still consider coal-producing enterprises and invest in that. How do you see that as compatible with reducing risk of climate change?*

Mr Harding: We'll make a judgment. Climate change is just one aspect of investing in a project, the financials to us. We don't own the coal, we're a contractor and we're asked to do a service and we'll look at that service in all respects from dollars to climate change and safety and make a decision. Nick?

Question: *Mr Chairman, just with pertinence to the last questions, I just ask that with regard to Downer's operations in general terms, do you consider the shareholder interest has preference over the high priest of climate change-type issues with regard to producing a profit for the shareholders, bearing in mind that, of course, without coal pensioners can't afford to turn on their heating or lights? Thank you.*

Mr Harding: Well, Nick, you know the answer to that. We'll look at it all and see at the time when we're investing or trying to do the job what matters.

Question: *Thank you.*

Question: *Good morning, my name is Dan Gocher. I'm here on behalf of the Australasian Centre for Corporate Responsibility. I would just like to commend you for your disclosure of your industry associations on page 67 of the Sustainability Report. The question I've got is what's the, I guess, aggregate total of the fees paid to those associations and will that be disclosed in future iterations?*

Mr Harding: I've no idea. I can find out for you, but I've no idea.

Mr Fenn: It's a good question. I asked this same one the other day, actually.

Question: *Well, if you don't know then that's a worry.*

Mr Fenn: I think it's being calculated.

Question: *Okay. I've got a far more important question. You're a member of the Business Council, the Minerals Council and the Queensland Resources Council.*

Mr Fenn: Yes.

Question: *The Business Council has said that the Opposition's emissions reduction target would be economy wrecking. Is that a position that Downer agrees with?*

Mr Fenn: We have no position on it.

Question: *But you're on the Energy and Climate Committee of the BCA.*

Mr Fenn: Yeah, look, I'm not sure. No, we just have no position on it. We don't run the BCA either.

Question: *I'm not saying you run it, but you're on the committee that determines the position of the BCA on energy and climate. I'd imagine you should have a position, though.*

Mr Fenn: Yeah, well, I personally don't, and I'm not sure that I can give you one today because I don't know enough, I have not looked at exactly what that is.

Question: *Okay. One more, if I may? The Minerals Council's new CEO, Tania Constable, was interviewed three weeks ago. She said that she didn't see a transition out of coal in the short, medium or long-term. Is that something that Downer agrees with?*

Mr Fenn: I didn't see the interview, so I'm not really going to comment. You should ask others, perhaps, but not us. We have no position on it.

Question: *Okay.*

Mr Harding: Any more on the Financial Report, or general ones, before we move on to item 2A? If there's not, item 2A, as I said earlier, Nicole Hollows was appointed by the Board during the year. Nicole is retiring in accordance with the constitution of the company and, being eligible, she's standing for re-election. I'm now inviting Nicole to address the shareholders for a couple of minutes.

Ms Hollows: Good morning, everybody. Notice my hair looks a bit different than the one up there, but it's the same person. It's a pleasure to be here today as part of the Downer Group and to be able to have the opportunity to give you a bit of background on my experience. I have over 20 years' experience as a Chief Financial Officer and a Chief Executive Officer across a number of sectors, including publicly listed, private and government. My experience goes across finance and accounting, mergers and acquisitions, corporate governance, through to strategy, culture development, risk management and also in relation to operations and safety, as a previous executive.

I'm currently the Chief Executive Officer at SunWater Limited, which is a Queensland Government owned organisation, and I fully understand the time that's involved as a non-executive director. I'm willing to commit this time, and are required to fill both the CEO role I currently hold, as well as the non-executive director role here at Downer. The ability to be able to devote adequate time and sufficient time was a lot of questions and information was required as part of my recruitment process by the Downer Board. And, as part of that discussion, I assured the Downer Board during that process that, not only am I interested in and passionate about the Downer business and broadening my own experiences, but I also really thrive on being busy. Whilst I was a Chief Executive Officer at Macarthur Coal Limited, it was a top 100 ASX-listed company, so I understand the pressures of an ASX-listed company. I was also non-executive director of the Queensland Resources Council.

During the time at Macarthur, we were in several takeover attempts, generally nearly every year, and I also was the President of the Queensland Resources Council for two years through carbon emissions trading, as well as resource rent tax, which required a lot of time. So I do understand the competing time pressures and I believe I've still got a lot of energy and I can commit to both.

Mr Harding: Thank you. I'm sorry.

Ms Hollows: I just also wanted to add that I'll be taking leave from my SunWater role when I attend Board and committee meetings so that I'm dedicated to the time that I add to as the Downer Board. And, given I'm a member of the Australian Institute of Company Directors, as well as my chartered accountant qualifications, I believe that I can add a lot of value to the Audit and Risk Committee, and hope and look forward to adding value and contributing to the Downer Board and the Audit and Risk Committee. Thank you.

Mr Harding: Thank you, Nicole. I'm sorry to interrupt you.

Ms Hollows: No, that's all right.

Mr Harding: Proxies received in relation to this motion are now displayed up on the screen. The other directors, including myself, unanimously recommend that shareholders vote in favour of this resolution. There's now an opportunity for discussion on the resolution if you've got any questions to ask of the Board or Nicole.

Unidentified: All done.

Mr Harding: All done. Thank you, Nick. I'm sorry, go on.

Question: *Hi Nicole. Do you accept the science of climate change?*

Ms Hollows: Excuse me?

Question: *Do you accept the science of climate change, that it's human induced?*

Ms Hollows: I don't think it's appropriate to provide my individual comment as a member of the Downer Board.

Question: *It's highly relevant.*

Ms Hollows: My personal views are probably irrelevant to--

Question: *No, I think it's highly relevant.*

Mr Harding: Now, we're not here as individuals around this table, we're here as the Downer Board.

Question: *Okay.*

Mr Harding: I'm not here to tell you what I think personally. You've probably guessed where I am from all the conversations we've had, but the Downer Board is not going to have its position on anything like that. Thank you.

Question: *Okay.*

Mr Harding: So if we can move on now to item 2B, which is the re-election of Mr Philip Garling who is retiring by rotation in accordance with the constitution of the company. Being eligible, he is standing for re-election. Proxies received on Phil are displayed up on the screen. The other directors, including me, unanimously recommend that shareholders vote in favour of the resolution. So there's now time to ask questions on the resolution. Nick?

Question: *Mr Chairman, over the period, I note that the gentleman has only managed to buy 16,940 Downer shares over the period. Does he plan to put more skin in the game, and you could recommend the Downer shares as a good buy at this stage. Thank you.*

Mr Harding: Over to you, Phil.

Mr Garling: I've got a lot of skin so, look, just a general comment about this topic. I have a view that it can be quite dangerous for this philosophy or paradigm that if you say a non-executive director has to own a year's worth of salary as shares, you're saying you want that director to work for nothing for a year. Now, I'm a professional company director, this is what I do for a living, it's not a hobby and, therefore, you're restricting non-executive director, the universe of people you can choose non-executive directors from to people who are independently wealthy. I think that reduces the diversity of boards because young people coming through probably can't afford it. Having said all of that, it really hasn't been a focus. I wish I'd bought more shares, I think my entry price is three bucks or something, and, yes, I can buy some more shares, it's not a big deal. But, as Mike said upfront, it doesn't impact my enthusiasm, commitment or my performance on the Board one iota.

Question: *Well, look, sorry, can you hear me? There's no suggestion, really, that it does, but it is an incentive, if you like. It's like incentivising key personnel. If you incentivise them, they're more likely to perform. And the contention is that if you have owned shares and you have a financial interest in the company, you're more likely to focus your NED ability to give the best outcome possible to the Board. I mean, that's the premise on which this thing is founded.*

Mr Garling: I don't think it makes any difference at all to the commitment. There's a lot more important things in terms of our reputations and that all the companies that we serve on are successful for the benefit of the shareholders, rather than some financial benefit of the dividend that might flow.

Question: *Well, incentive in a free enterprise society is a great thing, that's why I suppose--*

Mr Garling: Yeah, but my point is that money isn't the only incentive. I'm happy to buy some more shares.

Mr Harding: We've had enough on this one, thank you. Item 3, adoption of the Remuneration Report. The meeting now needs to consider item 3, adoption of the Remuneration Report for the year ending 30 June 2018. Proxies received in relation to this item are displayed up on the screen and the Remuneration Report is now open for discussion. Are there any questions? Go on, Nick.

Question: *Look, I don't want to take too much time of the meeting, but all I've got to say at this stage is to proffer a favourable comment. The STIs are very lucidly explained, they're good, they're not excessive. Likewise for the LTIs. Anyway, it's hard to find them in the report, hard to find the Rem report, but when you do find it, it's very good and I commend you on the standard of the Rem report and the incentives and so on. And I might address item 5 at the same time as addressing item 4. We're supporting both the adoption of the Rem report and the approval of the MDs, LTIs. So I'm just going to kill two birds with one stone. There's just one other comment - excuse me, I'll just take a moment - there was some similarity between the third LTI measurement listed in the Rem report. That also doubles as one of the STI measurements, so I think you should differentiate those. That's a minor comment, really, and apart from that very small criticism, well done on items 4 and 5. Thank you.*

Mr Harding: Thank you, Nick. On that matter, there's another one in STI and LTI of free cash flow as well. The remuneration arrangements for Grant and his team have worked very well for us, but this next 12 months, because we've been round the proxy guys, all the big shareholders, everybody has a different view on what matters, whether it's earnings per share, TSR, you name it, return on capital employed. So this next 12 months, we're going to have a good look at our system and see if we can make it better. We're not going to make it any worse, but we'll try and make it better, Nick. Thank you. But we do formally have to go to the item 4, which is approval of Grant's long-term incentive. So the meeting now needs to consider item 4, approval of the Managing Director's long-term incentives. The details of the incentive plan are in the Notice of Meeting and proxies received are shown up on the screen. Are there any questions on this item? I will now conduct the polls. I invite the Company Secretary, Peter Lyons, to advise on the poll procedures, so, Peter, over to you.

Mr Lyons: Thank you, Chairman. Martine Lefebvre of Computershare Investor Services has been appointed as returning officer for this meeting, and I'm satisfied with the independence of Computershare. If there's any person at this meeting who believes they are entitled to vote, but have not yet registered, could you please raise your hand for assistance? Every member present, in person or by representative, attorney or proxy who holds a blue admission card is entitled to one vote for each share held. The resolutions on which you are required to vote by poll are items 2A, 2B, 3 and 4, as set out in the Notice of Meeting.

Mr Harding: Thank you, Peter. So would you please raise your hand if you require more time for voting? So if any person has not voted, hold up your voting card and we'll collect it. As all the papers have now been collected, I think--

Mr Lyons: Not yet, Michael.

Mr Harding: No? I forgot to do mine.

Mr Fenn: Do you want me to tick it for you?

Mr Harding: Yeah, tick it, get it in the right box. You know you're a CEO. We're not quite sure whether you can get the right box or not. So can I declare the poll closed now? As you all know, the count and the results will take a little while so we'll close the meeting and we'll announce the results via the ASX this afternoon. Is there any more business that can be lawfully brought to the meeting? If not, I declare the meeting closed and let's go and have a cup of tea and some sandwiches out the back. Thank you very much for attending.

[Applause]

TRANSCRIPT ENDS