



The Perenti(e) Emerges from Hibernation

Company/ASX Code	Perenti Global Limited (formerly Ausdrill Limited)
AGM date	Friday 2 October 2020
Time and location	11 am The Westin Hotel 480 Hay Street Perth WA 6000
Registry	Link Market Services Limited
Format	Hybrid (physical and real time online)
Poll or show of hands	Poll on all items
Monitor	Keith Mellis assisted by Chris Klisc
Pre AGM Meeting?	Yes with Chair I Cochrane, Co. Sec. S Gregoriadis & Finance Officer M Ellis

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

	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Key Events

FY2020 was the first full year of operation of the integrated Ausdrill/Barmenco businesses under the new Perenti banner. The Group now operates from 11 countries around the Globe and reached a record \$2 billion in revenue for the year. The Covid-19 pandemic posed significant challenges for management as did a tragic terrorist attack in Burkina Faso, which left 19 employees dead and 26 injured.

Financial Performance

Despite record revenues, NPAT decreased to \$27.6m, after charging \$44.2m (net of tax effect) for items designated as non-recurring. The main adjustment was an amount of \$59.6m (gross) for the impairment of assets, which included a significant write-down following the withdrawal from the site of the tragedy referred to above. The Underground Mining segment (UMS) increased its revenue contribution to 64%, Surface Mining (SMS) slipped to 30% and Investments segment remained steady around 6%. UMS was the only business segment to make a positive contribution to EBIT, whereas the other 2 segments reported EBIT losses after non-recurring charges. We understand that results in the second half of the year confirm that changes made within SMS during the year are working. The year-end order book stood at \$5.4 billion, compared to \$7billion last year, and of this 41% will emanate from Australia and 69% relates to gold mining contracts.

The full year dividend remained for the third consecutive year at 7 cents, a substantial part of which must come out of retained earnings. The 33.3% negative TSR, following positive returns of 3.3% and 3.8% in the 2 previous years, reflects the share price falls experienced as a result of the Burkina Faso tragedy and Covid pandemic. At 30 June 2020 the Company's market capitalisation

was \$810 million compared to reported net assets of \$1400 million. Many metrics presented in the AR are based on underlying results, one of these being ROACE of 16.6%. The Company has its own formula to calculate this broadly-accepted statistic but does not define it in the AR or state it is based on underlying results. The ASA does not support the use of underlying results per se. A traditional calculation of ROACE based on underlying EBIT would result in a return around 10% not 16.6% and it would be less if based on statutory EBIT.

Board and Management Changes

During the year the Barmingo shareholder representative resigned from the Board as agreed and Ms Andrea Hall was appointed as a non-executive director, becoming the second female on the Board. Ms Vivienne Powe joined the Executive team as Chief Development Officer and in so doing became the first female on the team of 8. The Board continued to operate with 2 committees, Audit & Risk and People & Remuneration. Mr Scott Winter, CEO SMS, became the fourth member of the KMP team. With the resignation of long-serving director Mr Strapp at 2020 AGM, Board tenure will not exceed 6 years.

Governance and Culture

To improve communication with shareholders and address pandemic restrictions, the Board has adopted a hybrid format for the AGM and ASA hopes this initiative will continue for future AGMs. In response to the volatility experienced during the year the Board increased the number of full meetings from 15 in 2019 to 23 this year. Female representation on the Board is now almost 30%. The Board has a majority of independent non-executive members and the personal shareholdings in the Company of all 7 directors met ASA policy at this time.

The first Sustainability Report was included in the 2020 AR and a Sustainability manager is to be appointed in due course. A Health, Safety and Environment Management System has been introduced and we commend to shareholders an information booklet which overviews the new system. A Corporate Governance Statement 2020 was lodged in August this year together with a statement addressing the ASX Corporate Governance Council requirements. It was noted therefrom that the Board does not have a gender diversity policy. A Board skills matrix can be viewed on page 11 of the Corporate Governance Statement.

Risk Management

The Group's business risks are comprehensively reviewed in the AR and a Board committee oversees the management thereof. An information booklet titled Critical Risk Standards has been issued by the Company and addresses the safety of employees at work. With the onset of Covid-19 the Group established a taskforce to deal with the pandemic. Its financial impact was deemed to be minimal and no government support was sought in Australia. In response to the fraud discovered in 2019 an internal audit function is being established in early FY2021. As a result of the terrorist attack during the year, security within the Group has been stepped up and the Chairman confirmed that measures have been taken to specifically address the terrorist type threat.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	27.6	182.3	61.0	31.2	58.1
UPAT (\$m)- see note	110.3	103.1			
Share price (\$)	1.16	1.83	1.84	1.84	0.72
Dividend (cents)	7	7	7	4	-
TSR (%)	(33.3)	3.3	3.8	63.0	45.8
EPS (cents)	3.5	30.0	17.4	10.0	18.7
CEO total remuneration, actual (\$000)	1104	1038	N/A	N/A	N/A

UPAT as presented by the Company does not take into account an amortisation charge of \$38.6m in 2020 (2019-\$29.1m) which ASA considers is a normal expense. If applied, UPAT would reduce to \$71.7m for 2020 and \$74.0m for 2019.

For 2020, the CEO's total actual remuneration was twelve times the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 1	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

CEO rem. framework	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.925	47.6	0.925	31.3
STI - Cash	0.308	15.9	0.617	20.8
STI - Equity	0.154	7.9	0.308	10.4
LTI	0.555	28.6	1.110	37.5
Total	1.942	100	2.960	100

Total KMP (inc. CEO)	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.960	52.9	2.960	36.0
STI - Cash	0.875	15.7	1.751	21.3

STI - Equity	0.438	7.8	0.875	10.6
LTI	1.318	23.6	2.636	32.1
Total	5.591	100	8.222	100

In addition to the above amounts, one KMP received a sign-on bonus and one KMP received retention rights, neither benefit types being supported by ASA.

As shown above, the KMP remuneration framework consists of fixed remuneration (TFR), short term incentive (STI) and long term incentive (LTI). A considerable proportion of KMP remuneration is at risk. Incentives are set relative to TFR with the threshold set at 25% of TFR, target at 50% and maximum at 100%. Entitlement to rights is calculated at face value.

a. STI

This incentive is paid 2/3 in cash and 1/3 in rights which vest after 12 months. ASA prefers that at least 50% is paid in equity. All KMPs are measured against safety metrics (10% of STI) and underlying NPAT (50%), with neither of these measures met in 2020. A third common STI measure is for cash conversion, which was met this year. The remainder are customised to the individual and targets therefore are not evident. For 2020, the CEO realised 29% of his maximum STI opportunity with other KMPs between 29% and 36%. No financial gateway was applied before non-financial hurdles were tested. This resulted in the award of \$789000 to KMPs together with an unspecified amount awarded to other managers.

b. LTI

The awards are in performance rights with a 3 year performance period. The first period to be tested will be in FY2021 for the 32 months to 30 June 2021. ASA requires a performance period of at least 4 years. The hurdles are Relative Total Shareholder Return (RTSR) and Return on Average Capital Employed (ROACE), with 50% of LTI applicable to each. ASA considers that the vesting conditions for RTSR are too generous. ROACE is based on a company formula that is set out in the AGM Notice at Annexure A and restricts capital employed to certain asset classes. Vesting under ROACE begins at 30% for the threshold return of 14.5%, increasing to 100% at the stretch return of 19%. The pro forma 12 month return for FY2019 was 16.9% and the return for FY2020 was 16.6%.

The ASA does not support the payment of an STI based on non-financial hurdles where a financial gateway has not been met. Payment of an incentive benefit is not in line with performance experienced by shareholders with the TSR of negative 33.3%. For these reasons ASA will vote against Resolution 1.

Item 2	Re-election of Mr Ian Cochrane as a Director
ASA Vote	For

Summary of ASA Position

Mr Cochrane was appointed a non-executive director in November 2015 and became Chair in December 2017. He has a legal background and has specialised in mergers and acquisitions (M & A). Based on an independent external recommendation, the Board Chair fee was increased by \$49,800 to \$225,000 from 1 January 2020. Mr Cochran's M & A experience will continue to be valuable to the Group if there is potential to grow by acquisition (refer Downer Mining comments during the year). FY2019 provided a tremendous challenge for the Board with the acquisition of Barmenco and then its integration into the Group. The integration challenge continued into FY2020 and was added to by the Covid-19 pandemic and the Burkina Faso tragedy. Mr Cochrane is a member of both Board committees and has 1,086,203 Company shares. ASA will vote in favour of this resolution.

Item 3	Re-election of Ms Alexandra Clare Atkins as a Director
ASA Vote	For

Summary of ASA Position

Ms Clare Atkins has been a non-executive director for just over 2 years. She has a number of relevant qualifications and considerable experience in the mining industry. Ms Clare Atkins is a member of the People & Remuneration Committee and has 32,300 Company shares. ASA will vote in favour of this resolution.

Item 4	Re-election of Ms Andrea Hall as a Director
ASA Vote	For

Summary of ASA Position

Ms Hall was appointed a non-executive director in December 2019 and is a Chartered Accountant with 30 years' experience in financial services. Her experience gained in audit, risk management, governance, financial management and strategic planning will be beneficial to the Group. Ms Hall is Chair of the Audit & Risk Committee and has 52,000 Company shares. ASA will vote in favour of this resolution.

Item 5	Issue of Performance Rights to CEO/MD Mr Mark Norwell- FY 2021 LTI
ASA Vote	For

Summary of ASA Position

In accordance with Plan rules, the grant of 851,227 rights reflects Mr Norwell's maximum LTI opportunity of \$1,110,000 calculated on a weighted average share price for 10 days to 30 June 2020. Although the ASA does not support the use of underlying EBIT, it supports the general alignment of the Plan with shareholder interests and will therefore vote in favour of this Resolution.

Item 6	Issue of STI Rights to CEO/MD Mr Mark Norwell- FY 2020 STI
ASA Vote	Against

Summary of ASA Position

For the reasons set out under Item 1 above, the ASA will vote against resolution 6.

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