



NRW benefits from engineering & customer base diversification. Has strong FY22.

| | |
|-----------------------|--|
| Company/ASX Code | NRW Holdings Limited/NWH |
| AGM date | Wednesday 9 November 2022 |
| Time and location | 0900hrs AWT Duxton Hotel, 1 St Georges Tce Perth WA |
| Registry | Link Market Services Limited |
| Type of meeting | Physical |
| Poll or show of hands | Poll on all items |
| Monitor | Len Roy & Ian Berry |
| Pre AGM Meeting? | Yes, with Ind NED Peter Johnston & Company Secretary Kim Hyman |

One of the individuals who prepared this voting intention has a shareholding in the company

Summary of issues for meeting

The company's organic & acquisition growth plan struck some speed bumps from COVID related restrictions (border closures, tight labour market & supply chain constraints) over the previous two years however, to its credit, reported FY22 revenue of \$2.4bn, statutory NPAT \$97.4m and declared total dividends of 12.5cps fully franked. A major challenge for diversified contract services companies across the mining, resources, energy & infrastructure sectors continue to be project management and commercial viability of completed contracts. NRW has in recent years addressed the associated risks with added engineering capabilities, operational activities in all mainland states and broadening of the services offered. The business has benefited from beefing up the executive team and FY22 was financially successful for both the company & its shareholders.

Looking ahead the company has a record order book of \$5.2bn and acknowledges the challenges and continues to strengthen the tendering, contract formation & project management resources.

Proposed Voting Summary

| No. | Resolution description | Vote |
|---------|---|------|
| 1 | Financial Statements & Directors & auditors | N/A |
| 2 Res 1 | Re-election of Michael Arnett | For |
| 3 Res 2 | Re-election of Ms Fiona Murdoch | For |
| 4 Res 3 | Approval of Remuneration Report | For |
| 5 Res 4 | Approval of grant of Performance Rights for FY23 for CEO Julian Pemberton | For |

Governance and culture

The board of NRW has always been relatively small but effective for a highly competitive contracting business. Currently the board is made up of five directors with majority independent and one female director. It is planned to have a second female director by end of CY23.

Notwithstanding NRW has high level alignment with ASX Corporate Governance Council Principles & Recommendations as displayed in Appendix 4G, we express some concern with the board membership tenure of Michael Arnett who joined the board 27 July 2007 and appointed chairman 9 March 2016. (The value of his professional skills is not in question).

NRW board conducts annual performance reviews including the three board committees Audit & Risk, Nomination & Remuneration plus Sustainability. Each board committee is chaired by an Independent NED.

Financial Year performance

Revenue \$2.4bn was up 4.6% on FY21, EBITDA \$157m was up 30.1% on FY21 and statutory NP \$97.4m was up 79.4% on FY21. Cash conversion was 111% and gearing 11% with Net Debt reduced from \$171.3m FY21 to \$66.6m in FY22. EPS showed significant improvement on previous year. FY22 21.7cps compared to 12.5cps.

Five year company performance

| Measure | 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------------------------|-------------|------------|------------|----------|----------|
| Market Cap 30 June | \$761.4m | \$657.9m | \$793.6m | \$943.5m | \$630.1m |
| Share price 30 June | \$1.70 | \$1.47 | \$1.86 | \$2.51 | \$1.70 |
| Total revenue | \$2,378m | \$2,222m | \$2,004 | \$1,078m | \$685m |
| EPS | 21.7c | 12.5c | 18.2c | 8.6c | 11.6c |
| Comparative EBITDA | \$272.4m | \$266.7m | \$250.0m | \$143.9m | \$93.4m |
| NPAT | \$97.4m | \$54.3m | \$73.7m | \$32.2m | \$42.2m |
| NPATn | \$100.9m | \$75.1m | \$89.7m | \$40.4m | \$33.9m |
| Interim dividend paid | 5.5c | 4.0c | 2.5c | 2.0c | – |
| Final dividend in respect of FY22 | 7.0c | 5.0c | 4.0c | 2.0c | 2.0 |
| Annual Total shareholder return | \$170.9m | \$(143.2m) | \$(244.5m) | \$336.6m | \$391.4m |
| CEO FY22 actual Remuneration | \$2,146,722 | | | | |

Notes to the above: Comparative EBITDA - As disclosed in annual financial statements in relevant year; NPATn - NPAT normalised for acquisition amortisation and or impairment losses at normal tax rates; TSR - Change in market capitalisation adjusted for capital raisings plus dividends paid. CEO remuneration includes Fixed rem \$1,226,432 plus STI award \$920,290 in cash and excludes LTI Equity Grant \$ 939,422.

For 2022 the CEO's total actual remuneration was 22.5 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2022 data from the Australian Bureau of Statistics.)

Highlights FY22

The appointment of NED Fiona Murdoch in 2020 has strengthened the boards sustainability & legal resources relevant to major projects.

Andrew Walsh, NRW CFO is retiring at the end of CY22 following 8 years of service and will be replaced by Richard Simons formerly CFO of Clough.

Order book June 30 2022 was \$5.2bn, a NRW record.

Skilled & experienced labour shortages expected to ease in CY23.

EPC contracts at Covalent Lithium's Mount Holland project and Strandline Resources Coburn Mineral Sands project are proceeding as planned in execution delivery

ESG

The company has reinforced its inhouse ESG resources and NED Fiona Murdoch is chair of the Sustainability committee. Brett McIntosh is Executive GM Health, Safety, Environment & Sustainability and Tanya Eales is Executive GM People & Culture.

NRW continues to monitor developments & notifications of the International Sustainability Standards Board and its impact on Australian reporting guidelines. The company reports in accordance with Global Reporting Initiative standards and takes into account the Taskforce for Climate Related Financial Disclosure Recommendations.

The Sustainability / ESG report of 43 pages in the AR is necessarily comprehensive. It is well laid out & easy to follow including performance metrics.

Adoption of Remuneration Report

A significant improvement to the NRW annual Rights Award has taken place and EPS target has replaced EBITDA. The EPS compliments TSR & Gearing. The weighting of the three LTI performance metrics is 1/3 each. We support NRW's improved LTI metrics particularly as they apply to a competitive capital-intensive contracting services business.

Following shareholder approval of the director fee pool at the FY21 AGM, the NED fee structure was externally reviewed resulting in the introduction of board committee fees and an increase in NED base fees. The changes are the first material change since 2012 and take into consideration the possibility of increase in board numbers and significant company growth.

The NRW LTI Performance Period continues to be three years compared to ASA's Guidelines of four years. Three years is common within the contract services sector.

Any STI award is payable in cash with option to convert the value of the STI award into equity-based award of Performance Rights. Vesting of Rights under this award is subject to performance hurdles

assessed in line the applicable LTI plans. ASA nominates a minimum of 50% of any STI award be given in equity.

The remuneration report is well laid out and includes a 10-line item 5-year company performance table.

Share ownership amongst board & KMP is in accordance with ASA Guidelines

There is one Related Party item. It is a carryover from the acquisition of Geraldton based DIAB Engineering works where the workshops have historically been leased back to the DIAB business from the original founder.

The company has progressively improved its remuneration structure and references the remaining mis-alignment with ASA Guidelines to the markets in which it operates.

Previous remuneration report negative voting (against votes exceeding 25% for 2018, 2019, 2020 and 2021) was reportedly due to the singular LTI metric.

We support the remuneration report resolution

Re-election of Mr Michael Arnett

Mr Arnett was appointed a director 27 July 2007 and Chairman 9 March 2016. He is a former consultant to, partner of & member of the board of directors and national head of the Natural Resources Business unit of the law firm Norton Rose Fulbright (formally Deacons) 2019.

He has been involved in significant corporate & commercial legal work for the resource industry for over 20 years and the experience of several business cycles during his 15 years as a director of NRW. Sarah is Chair of Nomination & Remuneration committee and a member of Audit & Risk committee. We support his re-election.

Re-election of Ms Fiona Murdoch

Ms Murdoch brings gender diversity, independence, and major project experience to the board. She holds an Honours degree in Law, is a Graduate of the AICD Company Director program & holds an MBA. Ms Murdoch has 30 years resource & infrastructure experience having held senior roles with MIM Holdings, Xstrata Queensland and AMCI Investments.

Her external commitments include NED Metro Mining Ltd and NED Ramelius Resources Ltd. Also, Ms Murdoch serves on the JV committee for the Australian Premium Iron JV.

We support the resolution.

Approval of grant of performance rights for FY23 to CEO Julian Pemberton.

The company is proposing to issue 862,167 Performance Rights to Mr Pemberton under the NRW Holdings Ltd Performance Rights Plan as approved by shareholders in accordance with ASX Listing Rule 10.14 . Each Performance Right will entitle Mr Pemberton to one fully paid ordinary share of NRW.

Mr Pemberton's base salary was increased from \$1,250,000 to \$1,300,000 effective 1 July 2022 and the FY23 Award is therefore calculated with reference to the FY23 fixed remuneration level.at the 2019 AGM. As mentioned earlier, the performance metrics under the Performance Rights Plan have been upgraded to equal weightings of TSR, EPS and gearing. The debt to equity gearing shall not exceed 40%.

We support the resolution.

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

The NRW remuneration structure is the traditional three elements of Fixed, short term incentive and Long Term Incentive.

| KMP Remuneration mix | Fixed Remuneration | Short Term Variable | Long Term Variable |
|----------------------|--------------------|---------------------|--------------------|
| CEO | 33% | 27% | 40% |
| CFO | 36% | NIL | 64% |
| Exec GM | 60% | 20% | 20% |

The incentive awards are determined as a percentage of FR and entitlements are calculated using a 30 day volume-weighted average price (VWAP) of shares in the company.

| | |
|-------------------------------|-------------|
| CEO rem. Framework for FY2022 | |
| Fixed Remuneration | \$1,226,432 |
| STI - Cash | \$920,290 |
| STI - Equity | Nil |
| LTI Equity Grant | \$939,422 |
| Total incl LTI Grant | 3,086,144 |