



COVID slows down traffic

Company/ASX Code	Transurban Group (TCL)
AGM date	8 October 2020
Time and location	11am Online
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Michael Muntisov assisted by Sue Shields and Michael Leyland
Pre AGM Meeting?	Yes with Chairman Lindsay Maxsted, Company Secretary, Fiona Last, and Head Investor Relations, Tess Parker

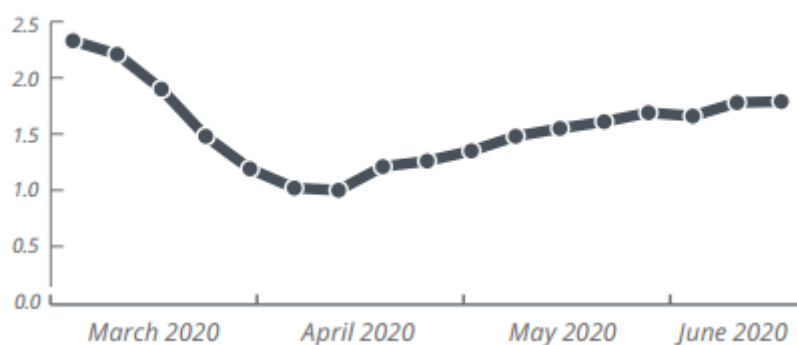
Note: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

Item 1	Consideration of financial report
ASA Vote	No vote required

Summary of ASA Position

Financial Performance: Transurban's performance was affected by COVID, which depressed traffic numbers as illustrated in the group-wide traffic numbers shown below.

TRAFFIC IMPACTED BY COVID-19 *Group ADT (M)*



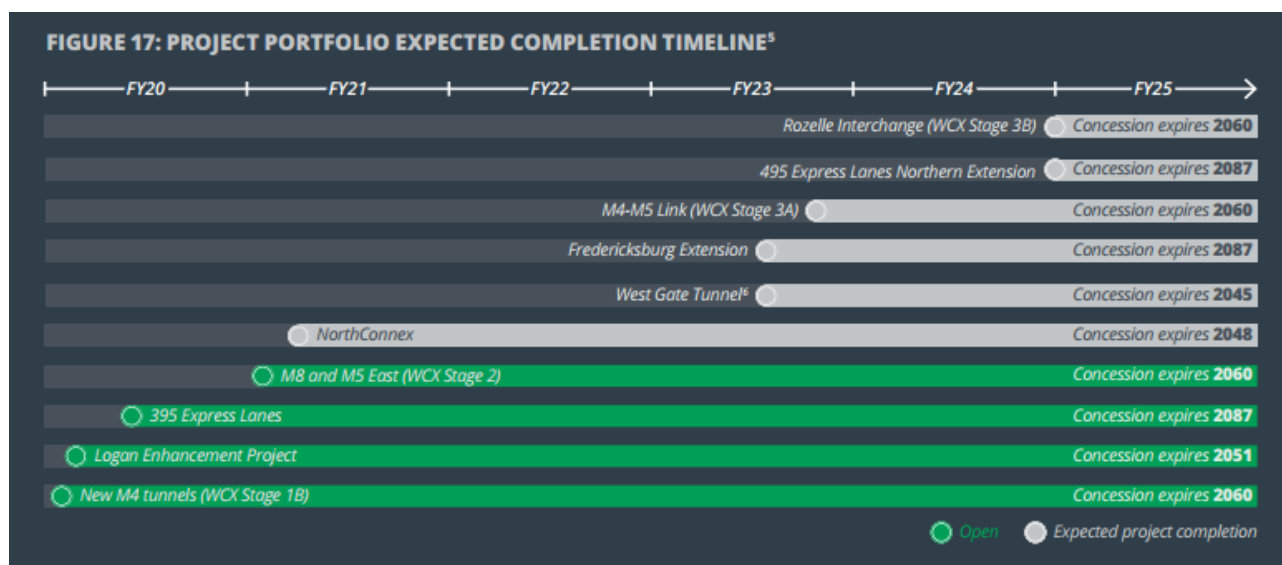
Source: Transurban 2020 Corporate Report

This meant that Average Daily Traffic growth was down by 9% on the prior year. Underlying proportional EBITDA was down by 6% and distributions per security decreased by 20% to 47c. The Board has set guidance for the FY21 distribution at the level of free cash flow from operations excluding capital releases.

Key Events: The COVID-19 pandemic was the dominant event of the year, affecting traffic numbers and cash flow.

Three projects were completed in FY20: The M4 tunnels in Sydney, the Logan Enhancement in Brisbane and the 395 Express Lanes in Virginia. Two other projects are due to open in FY21. However, The Westgate Tunnel Project was further delayed with an expected opening date of 2023.

The pipeline of these and future committed projects is shown below.



Source: Transurban 2020 Corporate Report

Board and management changes: Director Christine O’Reilly will retire at this AGM after eight years on the Board. A new director, Terry Bowen was appointed during the FY and will be up for election at the AGM. See more on Directors under the relevant items.

Two new roles were created in the Leadership Team: Group Executive, Customer and Technology and Group Executive, Partners, Delivery and Risk.

Subsequent to FY end, CFO Adam Watson resigned, as of mid-November, to join APA Group.

ASA Focus Issues: Issues related to directors and remuneration are discussed in later items.

Summary

(As at FYE)	2020	2019	2018	2017	2016	2015
NPAT (\$m)	(153)	170	485	239	99	(182)
Share price (\$)	14.13	14.74	11.97	11.88	11.99	9.30
Distribution (cents)	47	59	54.5	51.5	45.5	40
TSR (%)	(1%)	28%	6.3%	3.5%	35%	32%
EPS (cents)	(4.1)	6.6	23.3	11.7	10.5	0.5
CEO total remuneration, actual (estimated) (\$m)	4.0	8.3	9.4	9.3	8.4	4.4

For 2020 the CEO's total actual remuneration (estimated) was **45 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 2a	Election of Terence Bowen as a Director
ASA Vote	For

Summary of ASA Position

Terry Bowen was appointed as a director of Transurban in February 2020. He has a financial background.

He is currently Chair of Operations of BGH Capital, and a non-executive director at BHP, Navitas, and the West Coast Eagles Football Club. He is right at the limit on director workload.

He has previous board and executive experience with Wesfarmers, Coles and Jetstar.

At the pre-AGM meeting we were told he is well respected in the investment community based on his roles at Wesfarmers.

The ASA intends to vote in favour of his appointment

Item 2b	Re-election of Neil Chatfield as a Director
ASA Vote	Against

Summary of ASA Position

Mr Chatfield has been a director of Transurban for 11 years. Twelve years is the nominal term before ASA questions the independence of a director.

When last up for re-election in 2017, it was publicly stated that that would be his last term on the Board. Now the company believes "it is appropriate and important for Neil Chatfield to serve part of a further term." We discussed this issue at the pre-AGM meeting with the company. They envision two new directors coming on shortly and see this as a transition.

However we fail to see what real benefit Mr Chatfield's election for a short period would add. It is also unclear what a 'part' of a further term really means.

Mr Chatfield has a workload right on ASA's guideline limit, being also Chairman of both Costa Group and Aristocratic Leisure on the ASX. In addition he is Chair of a Not-for-Profit.

Based on the above, the ASA proposes to vote against Mr Chatfield's nomination for re-election.

Item 2c	Re-election of Jane Wilson as a Director
ASA Vote	For

Summary of ASA Position

Ms Wilson has been a director of Transurban for 3 years.

She has over 20 years' experience in Board governance in a wide range of industries.

She is currently a director of Costa Group and Sonic Healthcare and a Guardian of Australia's Future Fund.

Her broad experience appears to be of value to the company. ASA will support her election.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

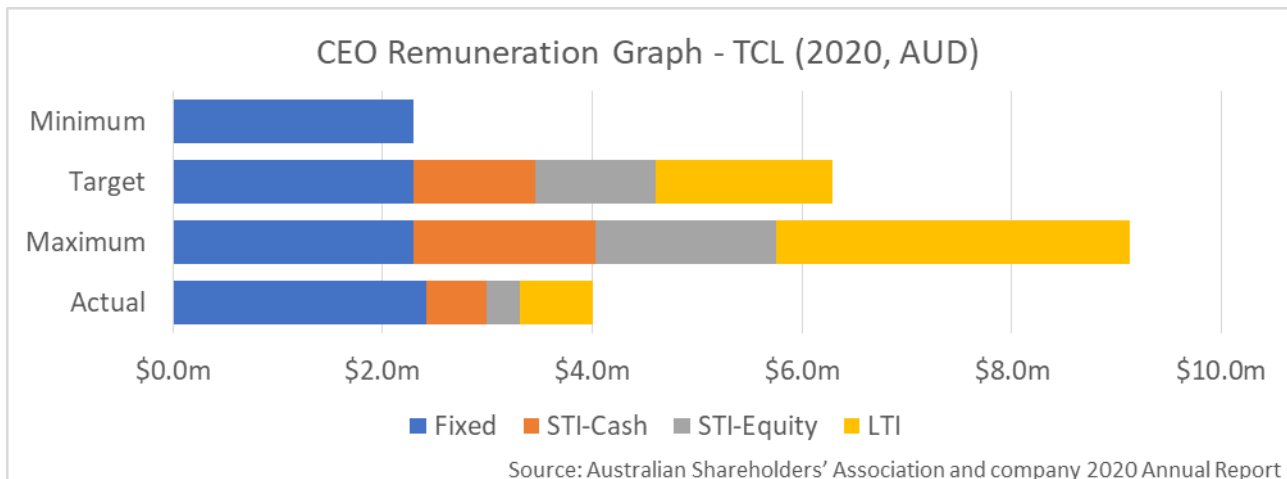
The remuneration scheme covered by the report is for the 2020 Financial Year. It meets a number of criteria favoured by ASA including:

- Total remuneration at risk of greater than 50% (63% at target, see table below)
- Face value is used to determine number of performance grants
- 50% of the Short Term Incentive (STI) is in the form of deferred equity
- The STI criteria are stated and weighted
- There were two performance measures for the Long Term Incentive (LTI) (Relative TSR, and Free Cash Flow growth)

Remuneration targets for CEO remuneration in FY20 are summarised in the table and graphic below. Actual received is estimated only as an actual 'take home pay' table is not provided by the company.

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.3	37%	2.3	25%
STI - Cash	1.15	18%	1.725	19%
STI - Equity	1.15	18%	1.725	19%
LTI	1.69*	27%	3.38	37%
Total	6.29	100%	9.13	100%

*At threshold vesting



The company exercised discretion by reducing the CEO's STI award to 50% of target, compared to 68% nominally achieved, given the impact on the company's earnings during the initial COVID response.

Areas for improvement on remuneration include:

- Provision of an actual 'take home' table
- The LTI performance period is only 3 years. Transurban, more than most, has a business model which is compatible with the ASA guideline of at least 4 years.

These points and others were raised with the company at the pre-AGM meeting. One of the reasons stated for a 3 year term is that they cannot forecast Free Cash Flow growth with confidence beyond three years. The company undertook to consider these issues next year.

Item 4	Approval of LTI grant to CEO Scott Charlton
ASA Vote	Against

Summary of ASA Position

This item is for the grant of equity rights for the CEO's Long Term Incentive (LTI) component of his FY21 remuneration package. It is designed to incentivise management to grow the company and its performance over the long term.

The proposed rights grant to the CEO is valued at \$3.38M (at face value) if performance measures are met over the next 3 years. As mentioned earlier the ASA prefers a longer performance period for Transurban given the nature of the company's business model. This issue has been raised with the company for several years.

For this award, there is only a single performance measure being Total Shareholder Return (TSR) relative to a set of relevant ASX peers. The Board decided that in light of the uncertainty around COVID that the usual second measure of Free Cash Flow (FCF) growth was too uncertain. It was this FCF measure which was a factor in hindering Transurban from extending their LTI performance period beyond 3 years.

The ASA reviewed the LTI performance periods of the ASX20 companies (as of August 2020, Transurban ranks tenth). The top eight companies by market capitalisation all have performance periods of 4 years or more. Indeed 3 years is an exception rather than the rule among the ASX20. Given the single LTI measure proposed, and the short 3-year measurement period, which is now an outlier in the ASX20, the ASA will vote against the proposed grant.

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