Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Civmec Limited

Stock code: P9D

Meeting details:
Date: 29 October 2021
Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) The group's new and extended contracts awarded in FY2021 amounted to A$780 million, comprising new projects and additional scopes in Energy (A$99 million); Resources (A$537 million); and Defence & Infrastructure (A$144 million). Revenue from the resources segment amounted to A$559.8 million, or 83%, of total revenue in FY2021. **Does management see the strength in the resources segment continuing for the next 3-5 years? Is there a risk that the group over-exposes itself to the resources segment?**

(ii) In the Offshore Patrol Vessel (OPV) Program, the group has achieved key milestones which included the completion of the hull of OPV2, the keel laying of OPV3, and the construction commencement of OPV4. The lead vessel, HMAS Arafura (presumably OPV1), is planned to enter service in 2022. **What has management learnt in the past 2 years in the OPV program? Based on the progress made in the past 2 years, is management confident of delivering the OPV program on track and on budget?**

(iii) With the major investment phase in Henderson over, the group returned to "regular capital expenditure" in FY2021. The group's purchase of property, plant and equipment decreased from A$70.0 million in FY2020 to A$21.6 million in FY2021. **Can management help shareholders understand if it is able to support the order book of A$1.0 billion without any further significant investment into capex, other than its "regular capital expenditure"?**

(iv) **Are there plans to further lower the net debt-to-equity ratio?** From page 162 (Note 32 – Financial risk management objectives and policies: Capital management), it is shown that the group's net debt-to-equity ratio improved from 0.93 times to 0.78 times. **What is the optimal gearing ratio to support the group's growth objectives?**

Q2. The group's sustainability report (SR) for FY2021 will be released in November 2021. The sustainability report links the group's sustainability principles to its mission, vision and values and is being prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards 2016 core-level reporting.

The SR focuses on identifying and reporting on issues or concerns that are material to the group's business and stakeholders, in relation to environmental, social and governance (ESG) performance.

The current version of the SR (for FY2020) can be found here:
https://links.sgx.com/FileOpen/Civmec%20Sustainability%20Report%202020%20WEB.ashx?App=Announcement&FileID=640721

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The material ESG factors are shown below:

MATERIAL ESG FACTORS

		Topic	Related United Nations Sustainable Development Goal (SDG)
E	Environment	• Energy • Effluents and Waste • Emissions • Environmental Compliance	6. Clean Water and Sanitation 7. Affordable and Clean Energy 13. Climate Action 14. Life Below Water 15. Life on Land
S	People	• Employment • Training and Education • Diversity and Equal Opportunity • Non Discrimination	1. No Poverty 4. Quality Education 5. Gender Equality 10. Reduced Inequalities
	Community	• Local Communities • Socio-economic Compliance	1. No Poverty 11. Sustainable Cities and Communities 12. Responsible Consumption and Production
	Health & Safety	• Occupational Health and Safety	3. Good Health and Well-Being
G	Financial	• Economic Performance • Tax	1. No Poverty 8. Decent Work and Economic Growth 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 17. Partnerships for the Goals
	Governance	• Anti-Corruption • Anti-Competitive Behaviour • Procurement Practices	16. Peace, Justice and Strong Institutions 17. Partnerships for the Goals

(Source: company sustainability report)

(i) **Has the board further analysed the material factors and prioritised them according to the importance to external stakeholders and to internal stakeholders in a materiality matrix?**

(ii) One of the group's sustainability agenda is to ensure that the group's operations have minimal environmental impact. **How does the group balance that goal with its projects in the resources/metals and minerals industry?** It is widely acknowledged that the extractive sector is associated with a range of serious environmental challenges which include land clearance and degradation, pollution, loss of biodiversity, intensive water use etc.

(iii) Separately, the group reported that its All Injury Frequency Rate (AIFR) improved to 30 per million hours worked although the Lost Time Injury Frequency Rate (LTIFR) was higher at 0.36 per million hours worked.

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SAFETY

Metric	FY2020 Target	FY2020	Result	FY2021 Target
LTIFR per million hours worked	<0.22	0.36	✗	<0.25
AIFR per million hours worked	<42.66	30.13	✓	<30.00
Fatalities	0	0	✓	0
Fines and prosecutions	0	0	✓	0

LTIFR: Lost Time Injury Frequency Rate
AIFR: All Injury Frequency Rate

(Source: company sustainability report)

Has the company reviewed why LTIFR increased? Did the group meet the FY2021 targets (that will be released in the upcoming SR)? Can management elaborate further on the proactive initiatives taken to reduce LTIFR and AIFR? What were the reasons that they diverged in FY2020?

Q3. The attendance of directors at board and board committee meetings is shown on page 63 of the annual report and reproduced below:

	Board	Board Committees			
		Audit Committee	Remuneration Committee	Nominating Committee	Risks and Conflicts Committee
No. of Meetings Held	4	4	2	2	4
No. of Meetings Attended					
James Finbarr Fitzgerald	4	4*	2*	2*	4*
Patrick John Tallon	4	4*	2*	2*	4*
Kevin James Deery	4	4*	2*	2*	4*
Chong Teck Sin	4	4	2	2	4
Wong Fook Choy Sunny	4	4	2	2	4
Douglas Owen Chester	4	4	2	2	4

** By invitation*

(Source: company annual report)

As can be seen from the table above, in FY2021, the executive directors attended the board committee meetings by invitation. It would appear the board committee meetings are attended by all directors, making them the same as board meetings.

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(i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**

(ii) **What is the group dynamics at the board committee meetings when the independent directors on the board committee may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on interested party transactions, performance assessment, remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.

(iii) **Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings? Are the committees able to make decisions objectively and independently?**

In addition, the company has deviated from Provisions 2.2 and 2.3 of the Code of Corporate Governance 2018 which requires independent directors to make up a majority of the board where the chairman of the board is not independent (Provision 2.2) and for non-executive directors to make up a majority of the board (Provision 2.3).

(iv) **Can the board/nominating committee elaborate further on the deliberations it has had for the board to meet the requirements of Provisions 2.2 and 2.3? Has it considered the benefits an additional independent director can bring to the board?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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