



Our journey...

**MAKING A
SUSTAINABLE
FUTURE
POSSIBLE™**

ANNUAL REPORT 2020

Cleanaway Waste Management Limited | ABN: 74 101 155 220

...towards a circular economy

1

Footprint 2025 reaches the halfway mark

Through a combination of acquisitions and greenfield investment we have built a strong foundation for the future growth of the business. We will continue to identify the right infrastructure and technology in the right locations to sustainably meet Australia's waste needs.



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The Company's 2020 Annual General Meeting will be held at 11am (Australian Eastern Standard Time) on Wednesday 14 October 2020. The meeting will be held as a virtual meeting. There will be no physical venue for shareholders to attend. To give shareholders a reasonable opportunity to participate, shareholders may attend the meeting virtually, using either the Lumi online platform or the Lumi AGM app. The 2020 Corporate Governance Statement and Appendix 4G Disclosures are available on our website at <https://www.cleanaway.com.au/about-us/for-investor/corporate-governance/>

3

Value creation through value chain extension

Our support for a circular economy was further illustrated this year by our joint venture partnership to build a PET plastic pelletising facility. We have also proposed an Energy-from-Waste facility in Western Sydney that provides an alternative to landfill in that market.



2

Strategic acquisitions strengthen total waste offering

Over the past year we strengthened our position as Australia's leading integrated waste management business through our acquisition of the former SKM Recycling Group's resource recovery assets, and the successful integration of those assets and the Toxfree business. We remain the market leader in every sector in which we operate, and our network of prized waste infrastructure assets across the country continues to grow.



Cleanaway is investigating opportunities to recover more from resources across the waste value chain.



Plastic
pelletising



Glass
beneficiation



Cardboard
pulp



Energy
from waste

How we create value

STRATEGIC PILLARS



People

Our people comprise purpose driven teams, technical experts and a large workforce that share a strong operating culture



Earth

We utilise natural resources including energy, materials and water in our daily operations



Markets

We collaborate with joint venture partners and regulators to serve millions of customers across all market sectors



Assets

We have a network of prized infrastructure, a large fleet of specialised mobile assets and strong stakeholder relationships

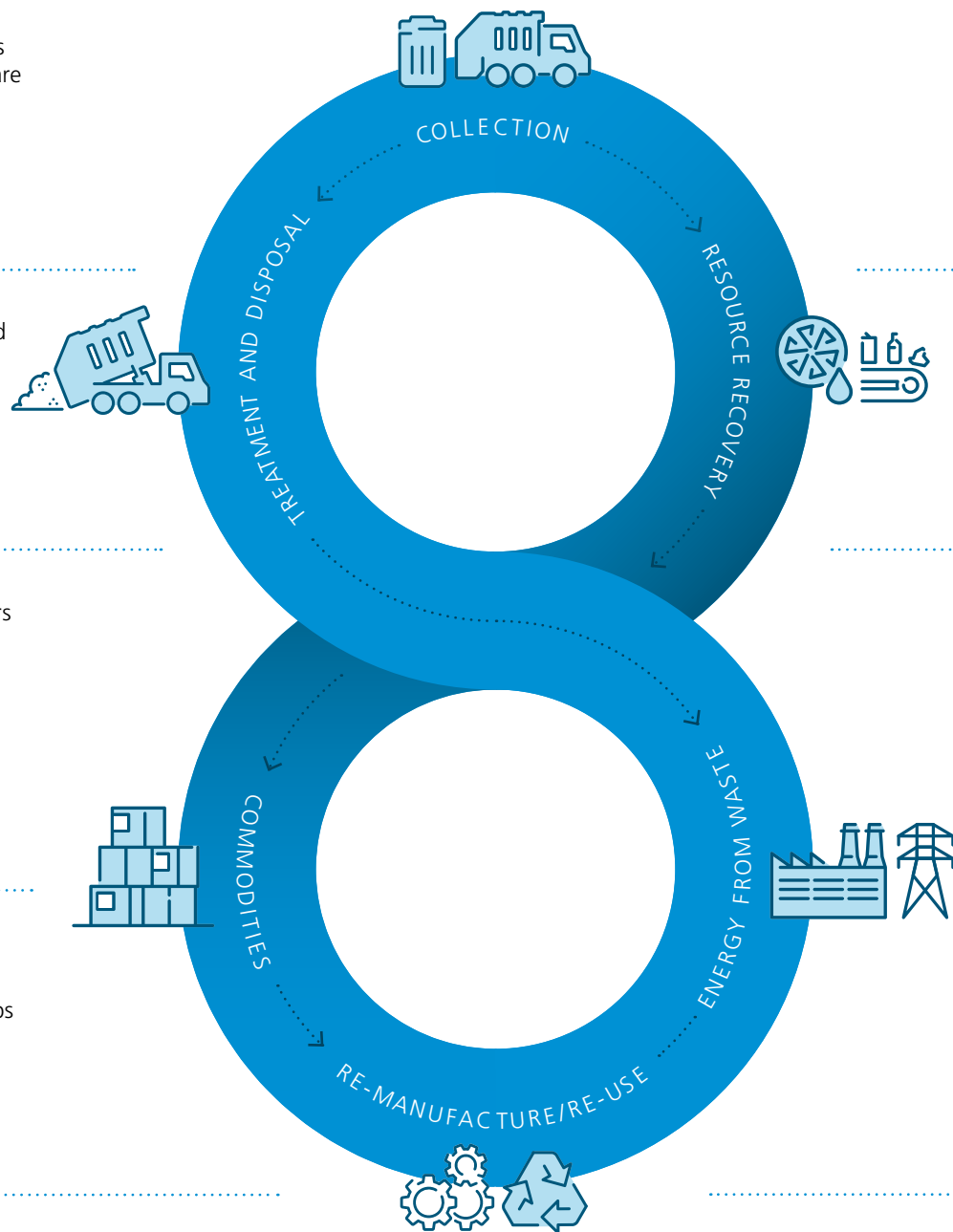


Financials

We are disciplined in our capital allocation and reinvest profits wisely

OUR BUSINESS MODEL

We see all waste as a resource



OUR MISSION

To make a sustainable future possible

OUR VALUES

Home safe

Stronger together

Our Value Creation Story takes our strategic pillars of PeMAF and shows how the inputs we draw on are transformed through our business activities, applying Our Cleanaway Way, to create outcomes for our stakeholders. It also shows how these outcomes align to the UN Sustainable Development Goals (SDGs).

CREATING LONG-TERM SUSTAINABLE VALUE

RELEVANT SDGs

We provide secure and meaningful employment for our people. We develop our people's skills and strive to provide a safe working environment.



Our recycled commodities reduce demand for primary raw materials and the associated impacts. We strive to minimise the environmental impacts of waste management, including greenhouse gas emissions, toxic and hazardous waste, water and air pollution. We reduce the waste going to landfill by recovering resources from waste streams. The low carbon electricity we generate displaces carbon intensive alternatives.



We help our customers and partners achieve their sustainability goals. We contribute to policy evolution. As a sector leader, we are advancing waste management in Australia.



We see waste as a resource and leverage our strategic pillars.

We extract the maximum value from every tonne of waste to create long-term sustainable value for our stakeholders and the environment.

We work with our partners to advance resource recovery in Australia, through education, supporting markets for recycled commodities and regulatory advocacy.

Our Footprint 2025 strategy, to invest in an integrated value chain with prized infrastructure assets, creates a strategic moat for our business and ensures we keep pace with growing sustainability demand and expectations. We contribute to a cleaner and safer environment, while seeking to minimise the impacts of our operations on local communities. We enable better regulatory outcomes through education.



We deliver strong and predictable financial performances. We contribute to the Australian economy through dividends and interest to our capital providers, salaries to employees and taxes to governments.



Integrity

We make a difference

FY2020 snapshot

FINANCIAL HIGHLIGHTS ^{1,2}

Our customers, regulators and society at large are looking for better and more sustainable solutions.

\$2,332 million revenue ↑ 2.1%

\$2,100 million net revenue ³ ↓ (0.4)%

\$515.7 million EBITDA ↑ 11.7%

\$256.6 million EBIT ↑ 6.6%

\$150.3 million NPAT ⁴ ↑ 7.0%

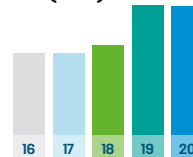
4.1¢ dividends per share ↑ 15.5%

7.3¢ earnings per share ↑ 5.8%

Net Revenue (\$m)

\$2,100m

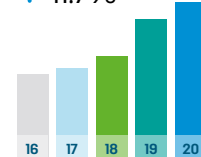
↓ (0.4)%



EBITDA (\$m)

\$515.7m

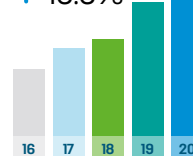
↑ 11.7%



Dividend (¢)

4.1¢

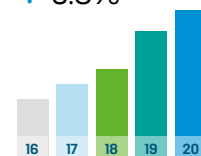
↑ 15.5%



EPS (¢)

7.3¢

↑ 5.8%



1 Represents underlying results.

2 Cleanaway applied the modified retrospective approach on adoption of AASB 16 Leases on 1 July 2019, as such comparatives have not been restated.

3 Net revenue is a non-IFRS measure and excludes landfill levies.

4 Attributable to ordinary equity holders.

OPERATIONS AT A GLANCE

Cleanaway is Australia's leading waste management, industrial and environmental services company. With our dedicated team, national network of specialised infrastructure assets, and one of the largest fleet of waste collection vehicles on Australian roads, we're working towards Our Mission of making a sustainable future possible, for all Australians.



6,000+

Employees



5,300+

Vehicles



~250

Sites



125+

Prized infrastructure assets

COMMUNITY INVESTMENTS

We know that change starts at home – and that genuine engagement and working in partnership with the communities in which we operate is an important part of our path for the future.



\$1.0m+

Invested in Australian communities



657

Education programs held nationally



23,000+

Students engaged in school-based education programs nationally

WHAT WE RECOVERED

Each year we focus on recovering more resources from waste and returning valuable commodities to the value chain.



>435 kt

Paper and cardboard



>19 kt

Plastic



>25 kt

Steel and aluminium

Closed loop in oil recycling

Our lubricating and engine oil collection and recycling services close the loop in oil usage, helping to reduce Australia's reliance on virgin refined oil.



>114 ML

Used oil

Landfill gas captured

We're capturing the gas generated from the natural breakdown of waste in our landfills, turning it into electricity, then sending it to the grid, thus contributing to a reduction in our reliance on fossil fuels.



~106 Mm³

Landfill gas captured

Managing greenhouse gas emissions

Cleanaway's resource recovery activities go to reducing greenhouse gas emissions; both Cleanaway's direct emissions and emissions that would otherwise have occurred throughout our communities. We are continually looking at ways to support further emission reduction, from expanding the footprint of our recycling operations to fuel and energy efficiency.



+



~792 ktco₂-e

Greenhouse gas emissions

Renewable energy generated

By using the gas that we capture from our landfills to generate electricity we have produced enough renewable energy to power ~27,000 average homes.



~134 GWh

of renewable energy generated

We care about the future

We continue to strive to achieve our mission *to make a sustainable future possible* by leveraging our strategic pillars to create long-term value for our stakeholders.



“In a year where we have experienced drought, unprecedented bushfires, flooding and the challenges created by the COVID-19 pandemic, sustainability has never been more relevant.”

I am pleased to present to you Cleanaway Waste Management Limited's 2020 Annual Report.

In line with our prior commitment, this year we have significantly expanded and enhanced our sustainability reporting, which we have centered around our value creation statement. We have more to do in this area and we will continue to work with our stakeholders to further enhance and continuously improve our sustainability reporting as we strive to reflect our mission to make a sustainable future possible.

In a year where we have experienced drought, unprecedented bushfires, flooding and the challenges created by the COVID-19 pandemic, sustainability has never been more relevant.

Safety remains a key priority for Cleanaway. Driver distraction has been identified as a critical risk for road accidents involving our vehicles. In response to this, we have conducted a trial of the Mobileye system, a driver interface with advanced driver-assistance systems. It provides early warnings to drivers to prevent or mitigate front and side collisions. Following a successful trial in Victoria during FY20, we now plan to roll out Mobileye across Australia in FY21. During the year, our total recordable injury frequency rate reduced to 4.5, a 21% improvement on the prior year but we still have work to do to get to zero harm.

Cleanaway delivered another strong financial performance during the year notwithstanding the headwinds caused by COVID-19, which reflects the strength and defensive nature of the business. We reported a pre AASB 16 Underlying net profit after tax of \$152.9 million, \$12.3 million or 8.7% higher than the prior year, reflecting strong organic growth and the full year benefit of the synergies from the Toxfree acquisition. This translated into 8.7% earnings per share growth to 7.5 cents per share (pre AASB 16). On a statutory basis net profit after tax of \$112.6 million was 6.6% lower than the prior year, largely reflecting higher acquisition and integration costs.

Our Solid Waste Services and Liquid Waste & Health Services business segments grew revenue, EBITDA and EBIT while all three segments continued to improve EBITDA and EBIT margins.

We continued to execute our Footprint 2025 Strategy during the year.

In October 2019 we announced plans to develop an energy from waste project in Western Sydney that will utilise safe, proven and the latest technology that will convert waste from households and local businesses into electricity for as many as 79,000 Western Sydney homes.

In November 2019 we completed the acquisition of most of the assets of the SKM Recycling Group (SKM). The acquisition provides Cleanaway with a strong recycling platform in Victoria and Tasmania. We will see the earnings from that acquisition come through in the FY21 financial year.

We have also outlined plans to develop a PET plastic pelletising facility in Albury, New South Wales with our JV partners Pact and Asahi Beverages and a glass beneficiation facility in Melbourne, Victoria.

These projects are underpinned by our support for a circular economy.

The business remains in very strong financial health. During the year we raised US\$270 million of US Private Placement Notes funding in three equal tranches with tenors of eight, 10 and 12 years. We have \$421 million of undrawn debt facilities and an average debt maturity of 5.4 years as at 30 June 2020. Our net debt to EBITDA ratio of 1.46x as at 30 June 2020 is well inside our covenant and our internal target range of 1.5x to 2.0x. We will continue to monitor the market for accretive acquisition opportunities and remain disciplined in our capital allocation.

Our strong financial performance and financial position enable us to continue increasing our dividend, and the Board was pleased to declare a final fully franked dividend of 2.1 cents per share, payable on 6 October 2020, taking the total dividend for the year to 4.1 cents per share. This was a 15.5% increase on the prior year and represented a 54.9% payout ratio. We remain committed to paying out 50–75% of underlying profits.

In November 2019, Samantha Hogg was appointed to the Board as an Independent Non-Executive Director of the Company. Samantha is an executive with international experience across the transport, infrastructure, energy and resources sectors. I am delighted to welcome Samantha to the Board of Cleanaway. Her extensive skills and experience will be a valuable addition to the Cleanaway Board as we prepare for the next phase of the growth of the Company. I congratulate Samantha on her appointment and look forward to her contribution at Cleanaway.

I would like to take this opportunity to thank Vik Bansal, the executive management team and all Cleanaway employees for responding efficiently and effectively to the unusual challenges the business faced during the year, while delivering another strong financial and operational performance. I would also like to thank my fellow Board members for their continued support during the year.

Finally, I would like to thank you, our shareholders, for the continuing support you have given the Board and Management of Cleanaway. I look forward to speaking to you at our Annual General Meeting on 14 October 2020.



Mark Chellev
Chairman

Continuing to advance a circular economy

A hallmark of a truly sustainable business is delivering on the promises that it makes to its stakeholders. Cleanaway continued to deliver on both short and medium-term commitments in FY20.



Delivering on commitments

I am pleased to report that Cleanaway has:

- continued to drive steady improvements in Health and Safety, with our Total Recordable Injury Frequency Rate (TRIFR) 58% lower than five years ago;
- completed the integration of the Toxfree business on time and is benefiting from over \$35 million of annual synergies;
- completed the majority of the legacy landfill remediation and rectification program, which will free up over \$20 million of cash per annum through to FY25 and over \$35 million per annum thereafter;
- completed the acquisition, integration and rehabilitation of the SKM Recycling Group's assets, secured contracts and expect to process over 200,000 tonnes of recyclable materials this year, with opportunities to increase that volume as we fine tune operations; and
- delivered an improved Sustainability Report, aligned to the United Nations Sustainable Development Goals (SDGs) and the Sustainability Accounting Standards Board (SASB) Standard. This report will provide us with a strong foundation to build on in future sustainability reporting.

COVID-19

FY20 presented challenges and I am immensely proud of the way Cleanaway responded by adapting our lives and work practices to provide safe, reliable and efficient service to our customers despite the disruption caused by the COVID-19 pandemic. The safety, health and wellbeing of all Cleanaway's staff, contractors, customers, and members of the public remains paramount. In response to the situation, we quickly set up a COVID-19 Response Committee that continues to meet regularly to discuss the evolving situation and take decisive actions.

Early on, we established three absolute priorities:

- keep our people safe;
- keep our company sustainable, so we can keep our people employed during and post COVID-19; and
- maintain our essential service to our customers.

Those priorities remain as relevant and I am pleased to report positive outcomes to date across all three dimensions. While COVID-19 continues to challenge how we run our lives, our business and our economy, the people that make up Cleanaway have pulled together to help one another through these challenging times. This ensured that none of our employees lost employment because of COVID-19, and resulted in us identifying and implementing opportunities to improve the efficiency of our disrupted operations.

We knew that our customers needed our support during these challenging times and we remained at full capacity to service their needs, while also transitioning our office-based employees to working from home arrangements in line with government directions and health advice. We worked with our most affected customers to provide them with appropriate solutions to help them navigate their situation, including foregoing certain fees and charges to help those businesses to remain viable through enforced shutdowns.

Importantly, this pandemic has made it clear that our strategy is robust. Nothing that has happened to the business because of COVID-19 has changed our view of our strategy.

Health and Safety

FY20 has been another year of strong operational and financial performance for Cleanaway.

Safety remains a priority as we face daily operational and situational hazards in our business. In FY20 we began a refresh of our *Life Saving Rules*, which are non-negotiable compliance requirements tied to our most critical risks. We must always be vigilant. Our employees and contractors are entitled to go home safe.

Our TRIFR decreased by 21.1% during the past 12 months to 4.5. While it is pleasing to see continuous improvement over the last five years – a 58% decline – we know we still have more work to do.

Every one of our employees understands that health and safety is a shared responsibility. As we continue to work towards our target of Zero Harm, we will continue to raise awareness, enhance our training, and identify and respond to health and safety risks.

58%

Recordable Injury Frequency lower than five years ago

\$473m

FY20 Underlying EBITDA (pre AASB 16)

4.3%

Increase in cash flow from operations (pre AASB 16)

Strategy

Our Cleanaway Way, which has been refined over the years, is our strategy on a page and was relaunched in July 2019 to represent the business that we are today. The framework and associated toolkit are designed to create a common language and narrative across the organisation.

We have four strategic pillars – People, Market, Assets and Finance, or PeMAF for short – which provide the structure and focus for the way we run our business every day.

We know that if we keep our People safe and engaged; provide best-in-class service to our Markets while ensuring we are growing our share; and manage our fixed and mobile Assets for safety, reliability, compliance and optimised performance – sustained financial performance becomes a natural outcome.

Our strategy is most successful when it is complemented by a strong customer service culture. We have been working hard to deliver service levels that meet and exceed our customers' expectations. As the business has and continues to grow organically and through acquisitions, we have been dynamic and adaptive in our response to maintain customer service levels. We have implemented a number of changes to simplify our systems and processes. Over the coming years we will be pursuing a digitisation strategy that is fit for purpose and will meet the evolving needs of our business and customers.

Footprint 2025

Our *Footprint 2025* strategy, which we developed in 2016, is about ensuring we have the right infrastructure and technology across the waste value chain to sustainably meet Australia's waste needs. Through that strategy, we continue to strengthen our network of prized infrastructure assets in key locations, optimising performance to extract maximum value from the evolving tonne and providing a strategic moat to our business.

We have reached the halfway mark in our Footprint 2025 journey and I believe we have created strong foundations for the future growth of the business.

Over the past year we strengthened our position as Australia's leading integrated waste management business through our acquisition of the SKM Recycling Group's resource recovery assets, and the successful integration of both those assets and the Toxfree business. These acquisitions largely completed our Victorian and Tasmanian resource recovery footprints. We remain the market leader in every sector in which we operate, and our network of prized waste infrastructure assets across the country continues to grow.

Growth from prized infrastructure

Our objective to drive a circular economy continues and in the coming years we will pursue several key projects that are strategically important for our business. Our Energy from Waste facility in Western Sydney will provide a more environmentally beneficial alternative solution to Sydney's growing waste disposal needs. It also supports our preference for internalisation of waste and enhances our service offering to our customers in that region. Subject to approvals and final investment decision – which will require that a significant portion of the processing capacity be underpinned by long-term contracts – it will be one of Cleanaway's largest single asset investments to date.

We also announced the development of a plastic pelletising plant in Albury NSW in a joint venture with Pact Group Holdings Ltd and Asahi Beverages. This facility will create a genuine closed loop recycling solution for the plastics we currently recover through our collections network. The location of the plant will give us access to both the New South Wales and Victorian markets to deliver optionality and redundancy around feedstock. While that project will produce PET plastic pellets from close to one billion plastic PET bottles, we will also investigate the commercial viability of recycling other plastics that we recover.

With both our Energy-from-Waste and plastic pelletising projects, we have partnered with organisations that bring complementary skills and experience to build and develop internal capability and de-risk the investments.

Financial performance

Cleanaway has delivered its fifth year of revenue, margin and profit growth. In a year that posed many challenges, your business delivered record margins again.

Each of the operating segments – Solid Waste Services, Industrial & Waste Services and Liquid Waste & Health Services – performed well during the year despite the effect of COVID-19, which highlights the diversification benefit of our operating segments and resilience of our business. On a pre AASB 16 basis:

- Solid Waste Services reported increases in net revenue, EBITDA and EBIT of 0.8%, 1.5% and 2.5% respectively;
- Industrial & Waste Services reported decreases in net revenue, EBITDA and EBIT of 8.3%, 3.6% and 4.9% respectively. Improvements in EBITDA and EBIT margins of 70 basis points and 20 basis points respectively reflected our focus on improving the quality of earnings of this segment as we exited low value contracts; and
- Liquid Waste & Health Services reported increases in net revenue, EBITDA and EBIT of 3.8%, 12.7% and 16.9% respectively.

A more detailed analysis of the performance of our operating segments can be found on subsequent pages of this Annual Report. In total, our Group underlying results, pre AASB 16, for FY20 were strong:

- net revenue was steady at \$2.1 billion;
- EBITDA increased 2.5% to \$473.0 million at all time high of 22.5% to net revenue;
- EBIT increased 4.6% to \$251.9 million at all time high of 12% to net revenue; and
- NPAT increased 8.7% to \$152.9 million at all time high of 7.3% to net revenue.

Our five-year history of sustainably growing earnings and margin expansion proves the power of operating leverage and running our business efficiently.

“Importantly, this pandemic has made it clear that our strategy is robust. Nothing that has happened to the business because of COVID-19 has changed our view of our strategy.”

From a cash flow perspective, this year we benefited from early payments by government and non-government customers as they sought to support the economy in response to the COVID-19 pandemic. This resulted in a 108.2% cash conversion ratio and a 4.3% increase in cash flow from operations to \$366.0 million (pre AASB 16). We maintained our consistent and continuous disciplined approach to capital allocation.

Our cash capital expenditure of \$209.8 million was in line with our previous guidance of 10% of net revenue. This was used to sustain our existing assets and operations, and enhance our network of prized infrastructure assets.

We continued to win new contracts during the year – including Randwick, Wyndham, South Australia Council Solutions and the City of Casey – as we leveraged the competitive advantage of our network of prized infrastructure assets and worked collaboratively with customers to deliver solutions that meet their sustainability objectives.

We believe the waste industry will continue to consolidate. As the leading integrated waste management company in Australia we will assess

accretive acquisition opportunities that align with our strategy. Our strong financial position delivers flexibility and allows us to respond quickly and decisively to emerging opportunities.

Furthermore, through leveraging tools that help us understand our customers’ needs and improve customer satisfaction, internalising waste streams, delivering synergies through acquisitions and continuous improvement in our operations, we will strive to improve the quality of our earnings and the long-term profitability of the business.

While the decisions we are making today are underpinned by existing market economics, momentum is building amongst policy makers in relation to Australia’s waste management. As the targets and actions in the National Waste Policy Action Plan 2019 are implemented, we expect further investment opportunities to emerge. These will complement the opportunities we continue to investigate with our customers in helping them achieve their sustainability goals.

I look forward to reporting to you on each of these developments over the course of next year.

Maintaining a social licence to operate is key to our sustainability, and while we don’t get everything right all the time, we do strive to continually improve our systems and processes, our engagement with the community, our interactions with our stakeholders and our service to our customers.

In closing my report, I would like to thank the Board for the support given to me and to the leadership team over this past year. Making a sustainable future possible is a mission that unites the more than 6,000 people who make Cleanaway the company that it is. We are, and always will be, stronger together.

It is my privilege to lead a team of committed people and thank them for their commitment during these challenging times. I look forward to celebrating our future successes with you and them as we continue to build a thriving organisation.



Vik Bansal
Chief Executive Officer and
Managing Director

Solid Waste Services

Cleanaway's Solid Waste Services is Australia's market leader for the collection, resource recovery and disposal of solid waste. The waste streams processed generally include putrescible, inert, household and recovered waste.

Following collection from over 100,000 Commercial & Industrial customers and over 95 Municipal Council customers, these waste streams are generally processed through our prized infrastructure assets such as resource recovery and recycling facilities, waste transfer stations and highly engineered landfills.

Solid Waste Services reported increased net revenue and earnings.

Compared to FY19, net revenue increased 0.8% to \$1,372.8 million. Excluding commodities, FY20 net revenue increased 2.4% from \$1,267.9 million to \$1,298.3 million.

EBITDA increased 10.1% to \$388.3 million (\$358.1 million pre AASB 16) and EBIT was up 4.3% to \$212.7 million (\$209.2 million pre AASB 16).

EBITDA margins improved 240 basis points to 28.3% (26.1% pre AASB 16).

The result was impacted by COVID-19 and lower commodity prices, partially offset by reduced rebates to customers. The introduction of a landfill levy in Queensland on 1 July 2019 resulted in reduced landfill volumes in Queensland, which were partially offset

by higher collections and resource recovery volumes.

Upgrading of the SKM assets has been completed enabling Cleanaway to produce higher quality commodities that will ultimately be reused in new products as we move further towards a circular economy. We expect a full contribution in FY21.

Following a fire at our Perth Material Recovery Facility in November 2019, the clean up was completed in the second half of FY20. We are continuing to work with our customers to develop alternative solutions while our new facility is being constructed. Completion is targeted for the Q3 FY21. Once complete, it will deliver better and high-quality recycling service to the Perth market.

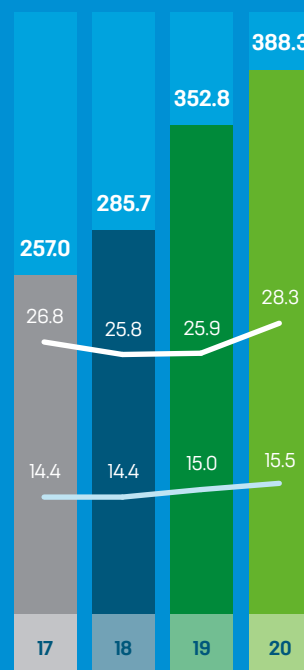
During the period Cleanaway was awarded several new municipal contracts, supported by our strong service reputation and Cleanaview, our online council portal.

The WA regional CDS scheme "Containers for Change" is expected to commence on 1 October 2020 with Cleanaway providing logistics and processing services.

EBITDA (\$m)

\$388.3m

↑ 10.1%



EBITDA margin
EBIT margin
Four years EBITDA

Net revenue (\$m)

\$1,372.8m

↑ 0.8%

	FY20	FY19	
Net revenue (\$ million)	1,372.8	1,362.3	↑ 0.8%
EBITDA (\$ million)	388.3	352.8	↑ 10.1%
EBITDA margin (%)	28.3	25.9	↑ +240bps
EBIT (\$ million)	212.7	204.0	↑ 4.3%
EBIT margin (%)	15.5	15.0	↑ +50bps

Cleanaway applied the modified retrospective approach on adoption of AASB 16 Leases on 1 July 2019, as such comparatives have not been restated.



Setting the standard for municipal services

In FY20 Cleanaway secured our place as the market leader in kerbside collections in Victoria when we were awarded the contract for the state's largest council, City of Casey in south east Melbourne. Cardinia Shire Council also increased their services with Cleanaway, adding FOGO collections and booked hard waste collections to their existing general waste and recycling service.

In South Australia, the state's largest ever municipal contract was awarded to Cleanaway servicing 160,000 properties in the four metropolitan councils of Adelaide. Cleanaway will invest in more than 40 fleet assets and employ around 30 new staff. Cleanaway's online portal, Cleanview, will give councils near real-time collection and scheduled pickup information.

Industrial & Waste Services

Cleanaway's Industrial & Waste Services provides a wide variety of specialised services to the Infrastructure and Resources markets. These services include drain cleaning, non-destructive digging, vacuum loading, high pressure cleaning and pipeline maintenance.

This segment services over 2,000 customers with a fleet of specialised vehicles and equipment.

Industrial & Waste Services reported lower net revenue and earnings but expanded its margins as we exited most contracts with sub-optimal commercial returns.

The capital that was previously consumed in those contracts will be deployed at higher returns within the business.

The integration of Toxfee is complete and we are realising synergies from significant integration related activities.

Compared to FY19, net revenue decreased 8.3% to \$313.4 million as the business reduced its exposure to lower margin less specialised services.

EBITDA decreased 1.5% to \$45.9 million (\$44.9 million pre AASB 16), and EBIT decreased 4.9% to \$21.4 million (\$21.4 million pre AASB 16).

Higher margin contracts and an emphasis on strict cost discipline across the segment resulted in EBITDA margins increasing 100 basis points to 14.6% (14.3% pre AASB 16).

We continue to see improvement and the right focus on increased labour and asset utilisation across the country and region.

EBITDA (\$m)

\$45.9m

↓ 1.5%



Net revenue (\$m)

\$313.4m

↓ 8.3%

	FY20	FY19	
Net revenue (\$ million)	313.4	341.9	↓ 8.3%
EBITDA (\$ million)	45.9	46.6	↓ 1.5%
EBITDA margin (%)	14.6	13.6	↑ +100bps
EBIT (\$ million)	21.4	22.5	↓ 4.9%
EBIT margin (%)	6.8	6.6	↑ +20bps

Cleanaway applied the modified retrospective approach on adoption of AASB 16 Leases on 1 July 2019, as such comparatives have not been restated.



COVID-19 inspires innovative response

In response to COVID-19 Cleanaway launched a safe and effective decontamination service. Working with industry partners, we developed nozzle technology that provided wide range misting application for large open spaces including warehouses, factories and public spaces.

The service was designed for scheduled preventative decontamination of high-risk facilities. As the pandemic evolved a rapid

response model was developed to enable sites to stay operational, or reopen quickly, following a COVID-19 case.

Beyond the misting application method, Cleanaway provided targeted application for handrails, equipment, and other high-touch areas. The feedback from sites was that the service gave employees peace of mind that they could return to work safely.

Liquid Waste & Health Services

Cleanaway's Liquid Waste & Health Services comprises of four national strategic business units: Liquid Waste Services, Technical & Environmental Services, Hydrocarbons and Health Services.

The segment generates revenue and earnings from the collection, treatment, processing, refining, recycling and destruction of hazardous and non-hazardous liquids, hydrocarbons (used oil recycling), chemical waste, specialised package and hazardous waste and e-waste.

Services to the health sector includes the safe treatment and disposal of health-related waste which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.

Liquid Waste & Health Services reported increased net revenue and earnings.

Compared to FY19, net revenue increased 3.8% to \$513.6 million. EBITDA increased 22.3% to \$106.3 million (\$97.9 million pre AASB 16) and EBIT increased 19.1% to \$64.3 million (\$63.1 million pre AASB 16).

EBITDA margins increased 310 basis points to 20.7% (19.1% pre AASB 16).

Hydrocarbons performed well on the back of improved volume and production efficiencies following recent plant upgrades. This was partially offset by lower global oil prices in the last quarter.

Health Services continued its good performance with the re-signing of some of its major customers for a further three to five years. This business remains on track to deliver on our strategic expectations.

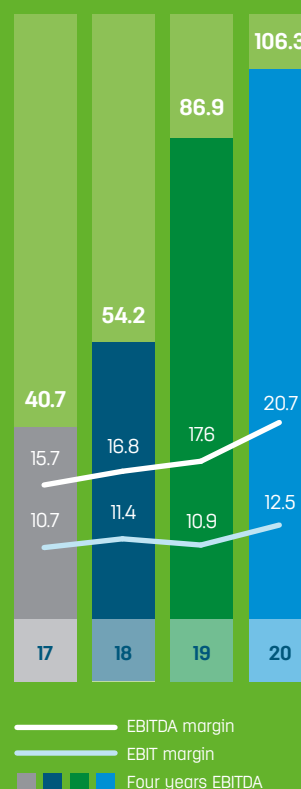
Packaged and bulk hazardous waste streams continue to grow both revenue and earnings because of the integration.

The Liquid Waste & Health Services business is now a strong integrated business with good growth prospects.

EBITDA (\$m)

\$106.3m

↑ 22.3%



Net revenue (\$m)

\$513.6m

↑ 3.8%

	FY20	FY19	
Net revenue (\$ million)	513.6	495.0	↑ 3.8%
EBITDA (\$ million)	106.3	86.9	↑ 22.3%
EBITDA margin (%)	20.7	17.6	↑ +310bps
EBIT (\$ million)	64.3	54.0	↑ 19.1%
EBIT margin (%)	12.5	10.9	↑ +160bps

Cleanaway applied the modified retrospective approach on adoption of AASB 16 Leases on 1 July 2019, as such comparatives have not been restated.



Australian-made reusable collectors

From February 2020 all Cleanaway Daniels reusable sharps collectors and related spare parts were 100% Australian-made following the onshoring of manufacturing capabilities to the facility at St Marys.

Local control over the supply chain significantly advanced our ability to deliver a more agile service to our customers, which became even more critical when imports were impacted by COVID-19.

With operations occurring closer to end users, the supply chain was better able to meet rapid production requirements and respond to changes in customer demand.

The facility had been acquired with ASP Healthcare (ASP) in March 2019 and enabled in-house plastic pelletising and manufacturing – an exciting opportunity for Cleanaway to increase the use of recycled material in our operations.

Resourcing the circular economy

We made a commitment last year to deliver an improved Sustainability Report, aligned to the United Nations Sustainable Development Goals (SDGs) and the Sustainability Accounting Standards Board (SASB) Waste Management Standard.

Our FY20 Sustainability Report provides us with a strong foundation to build on in future sustainability reporting. We have also commenced reporting our climate change risk disclosures in accordance with the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

The following pages provide a brief overview of our sustainability performance and introduces some of the material topics affecting our business.

Our FY20 Sustainability Report elaborates on all our material topics, as well as introducing our Value Creation Story (VCS), which you can find on page 2 of this document. It takes our strategic pillars and shows how the inputs we draw on are transformed through our business activities, applying Our Cleanaway Way, to create outcomes for our stakeholders.

Our sustainability reporting framework established key elements to deliver a Sustainability Report that meets stakeholder expectations,

aligns to Cleanaway reporting principles and upholds our values and commitment to achieving our Mission of 'Making a sustainable future possible' – for all Australians.

Our objective to drive a circular economy in Australia continues and we will look to pursue key projects to extend the waste value chain and recover more resources for reuse.

Maintaining a social licence to operate is key to the sustainability of our business. We are constantly improving our systems and processes

to minimise the impact of our operations. We work to improve our engagement with the community, our interactions with our stakeholders and our service to our customers.

As Australia's leading integrated waste management company, which owns and operates a substantial portfolio of prized infrastructure, we want to make a positive impact.

We intend to continue building on our sustainability disclosures in future reports, through a focus on material topics, comparative data and targets.



Aligning with recognised standards

We undertook a mapping exercise to identify the SDGs that were most aligned to our business and that we could have the greatest impact on. Through engagement with internal stakeholders we selected nine SDGs on which to focus our efforts:



For us, it means leveraging our strategic pillars



People

Focusing on the safety and wellbeing of our people, our customers and the communities in which we operate; and a workplace which values diversity, equality and inclusion.



Markets

Working in partnership with our customers to improve service and help them achieve their sustainability goals.



Assets

Minimising our environmental impact through the responsible management of our assets as well as exploring and investing in new technologies.

To deliver enduring results



Financial

Managing risks and creating value for all our stakeholders through a focus on sustainable financial performance to deliver financial returns for our investors, and the strength to continue to invest in new infrastructure and technologies to deliver on Our Mission.



Earth

By continuing to invest in our Footprint 2025, investing in the infrastructure, technology and innovation to close the loop and contribute to a viable circular economy in Australia, we will help to change the landscape of recycling and residual waste management in Australia.



People

We're proud of our purpose-driven teams. We continue to focus on safety and wellbeing, and value diversity, equality and inclusion in our workforce.

Workforce health, safety, and wellbeing

We use a range of lead and lag indicators to measure our health and safety performance. Lag indicators include TRIFR, fire incidents and overdue corrective actions. Lead indicators include percentage completion of mandatory training, and the number of 'safety interactions'. These are context-specific safety conversations between employees and their supervisors, where managers join our drivers and operators for a shift to observe safety in practice and discuss roles, responsibilities and controls.

Total recordable incident frequency rate (TRIFR) is the key performance indicator that we use to measure health and safety performance. We achieved a reduction in TRIFR of 21% in FY20, with TRIFR reducing from 5.7 to 4.5. Whilst it is pleasing to see continued year-on-year improvement in our TRIFR, we also acknowledge that there are opportunities for improvement that we will seek to implement over the coming year.

Developing our people

Leadership training

In late 2019, in partnership with the Lighthouse Group, Cleanaway developed and launched our Commercial Acumen & Financial Skills (CAFS) Program for our operational leaders across the enterprise. The two-day workshop was successfully delivered to over 110 Branch Managers. Development of an online and virtual version of the CAFS Program is underway.

It is planned for delivery in October 2020 and will be delivered to relevant new employees going forward.

Our continued partnership with LeadershipSuccess for frontline leadership coaching programs saw over 100 enrolments and over 70 completions in FY20.

Graduate program

To attract and nurture our next generation of leaders, in FY20 we launched the Cleanaway Graduate Program. The program provides graduates from key disciplines such as engineering, chemistry and environmental science with vital hands-on experience and insight into the waste management industry through experiences, training and mentorship.

Across 24 months, graduates will rotate through placement blocks, lasting up to six months each, allowing them to gain a strong understanding of the various operations and functions of Cleanaway. Graduates' learning journey includes time spent with their hosting manager before and after their placement to discuss learning outcomes.

Progress in partnership

Pilbara Environmental Services (PES), Cleanaway's joint venture with the KingKira Group, rebranded to better represent the partnership. The KingKira Group is a 100% female Aboriginal-owned business connected to the Nyiyaparli and Palyku Aboriginal groups, and the Kariyarra and Ngarluma peoples.



TRIFR

Total Recordable Incident Frequency Rate

4.5

in FY20

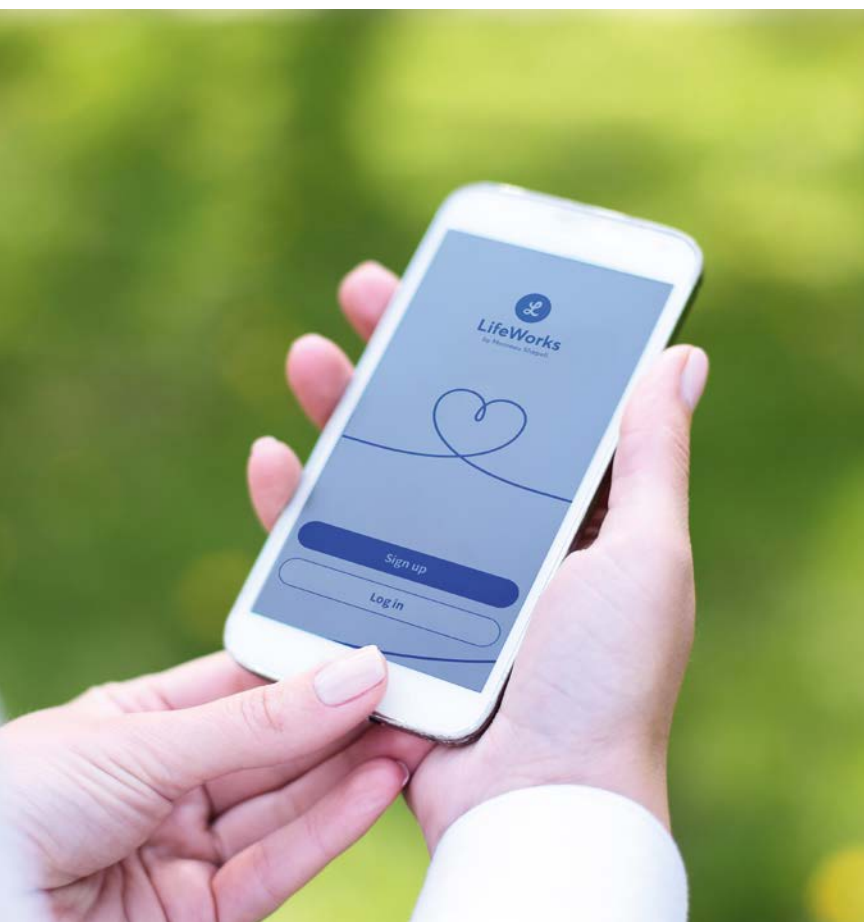
5.7

in FY19

6.2

in FY18

Priority SDGs



Employees connected to digital wellbeing support

Cleanaway partnered with our Employee Assistance Provider, Lifeworks, to give employees access to the LifeWorks wellbeing platform.

Available on smart phone or via website, the platform features online resources and tools supporting mental, physical, social and financial wellbeing.

Access is extended to five close family or friends to ensure our employees' wider network can benefit from the online support.

Diversity and inclusion

Valuing and supporting diversity and inclusion (D&I) is a critical part of our 'Stronger Together' value

2017–2020 D&I Engagement Plan

Some achievements of our 2017–2020 Plan include:

- reporting on remuneration and gender pay parity as part of our annual review of Total Fixed Remuneration, to track the impact of our actions to closing the gap;
- updated Parental Leave Policy and Guidelines, including increasing the make-up pay from 14 weeks to 18 weeks and aligning it with the pay cycle;
- development and implementation of our unconscious bias e-Learning induction module;
- updated Respectful Workplace Policy, and development of related e-Learning induction module and face-to-face training program; and
- in FY20 we increased the number of females in operational roles to 5.7%, up from 5.0% in FY19. We also saw an increase in female branch manager and regional managers.

2020–2022 D&I Engagement Plan



Engagement
Stronger together



Workforce Profile
Workforce demographics and female participation



Awareness
Learn and do

1 OVERVIEW

2 BUSINESS REVIEW

3 SUSTAINABILITY

4 CORPORATE INFORMATION

5 FINANCIAL REPORT

6 OTHER INFORMATION



Earth

We invest in infrastructure, technology and innovation to close the loop and contribute to a viable circular economy in Australia.

Environmental impact and compliance

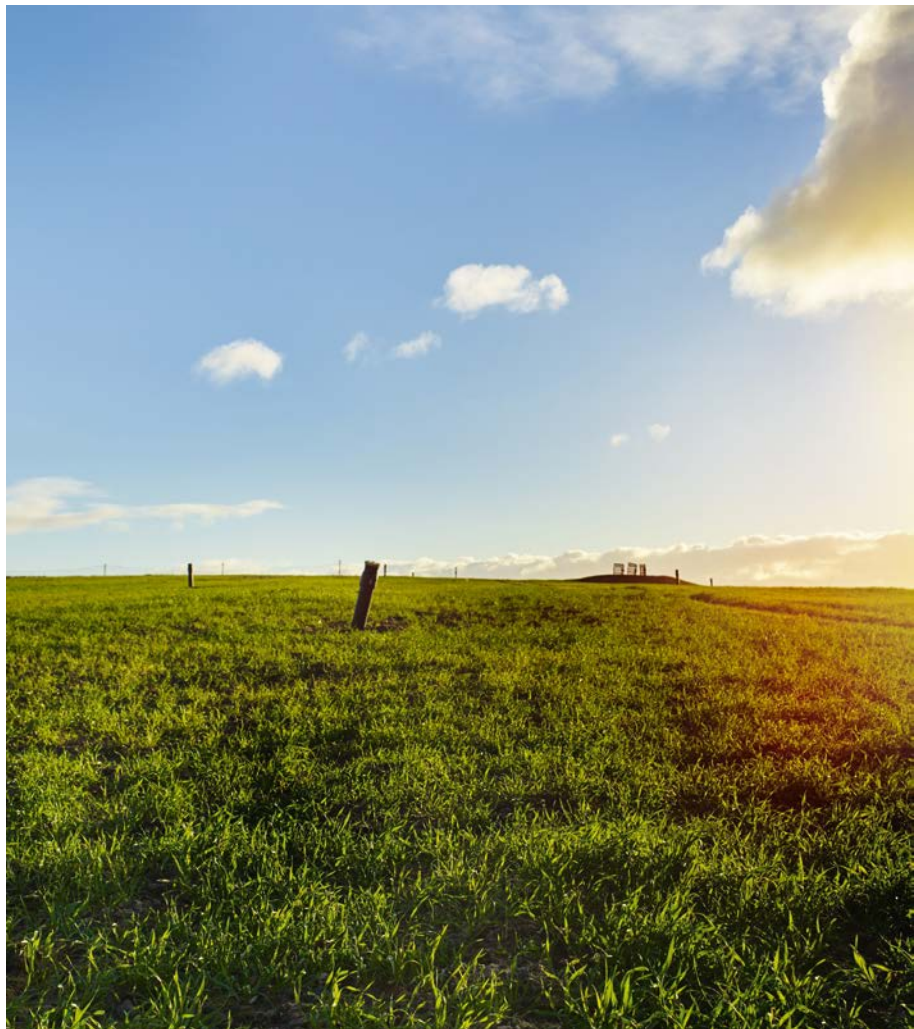
Upholding the highest standards in environmental performance is crucial to the success and sustainability of our business.

All employees, contractors and joint venturers engaged in activities under Cleanaway's operational control are responsible for complying with and implementing our Environmental Policy. Ultimately, the CEO is accountable to the Board of Directors for ensuring that the policy is implemented.

Climate change

Climate change presents urgent and complex challenges for businesses, governments and society. Developing capability and better understanding of risks and opportunities associated with climate change has been a key focus of Cleanaway.

We have committed to align with the Taskforce on Climate-related Financial Disclosures (TCFD) reporting framework. Please refer to our Sustainability Report where we have made substantive disclosures relating to key climate change risks facing the company.



Cleanaway recovers biogas from some of our highly engineered landfills that can be sent to the power grid.



>114 ML

used oil recovered



83 ML

of recycled hydrocarbon
fuel produced



>479 kt

of recyclables sold

Greenhouse gas emissions and low carbon energy

Our landfills



1.9m GJ

from captured
landfill gas



18%

flared to
reduce
greenhouse
impact



82%

converted
into energy

Metrics

Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations, and emissions-reporting regulations

- Scope 1 emissions = ~749 ktCO₂-e
- Scope 2 emissions = ~43 ktCO₂-e
- 0% of Scope 1 GHGs are covered under emissions limiting programs, as no facility has breached the 100 kt threshold for covered emissions
- 100% of Scope 1 emissions are subject to emissions reporting programs (NGER scheme)



Markets

We work with our customers to improve our service to them and to help them achieve their sustainability goals.

Customer experience

Without our customers we have no business, so customer satisfaction and retention are integral to the sustainability and success of Cleanaway. We are committed to offering our customers flexibility, reliability and value.

We endeavour to align with our customers to help deliver their sustainability goals and view them as partners in achieving our mission.

Whether they are big or small businesses, from the commercial or industrial sectors, or our municipal customers representing millions of households around Australia – we recognise that our relationships with customers, and our reputation as a company, depends on trust and the value we bring to that partnership.

In FY20, we implemented a series of initiatives focused on improving the customer experience journey. At Cleanaway, we believe that if you aren't serving a customer, you are serving someone in our business who is.

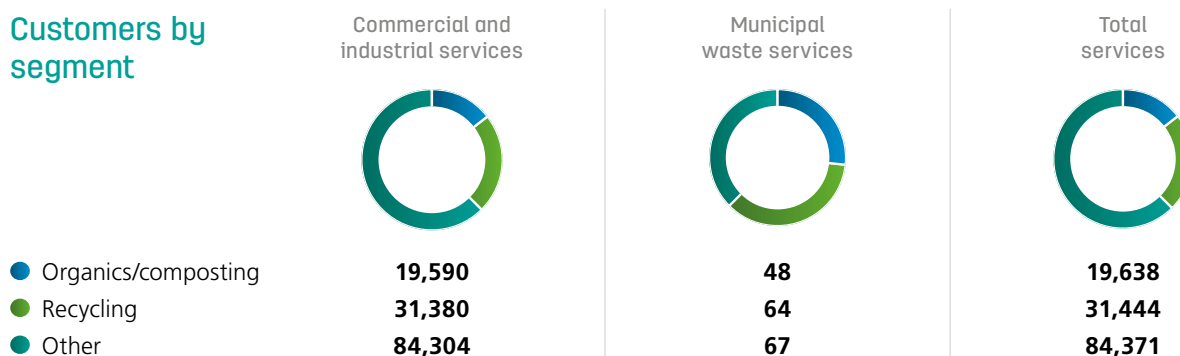
Contamination in recycling continues to be a challenge for our customers and the industry. Contamination reduces the quality of recycling for reuse and increases the cost to separate and process. When our customers have the right information and support to use recycling services correctly, we increase the quantity and value of material that can be recovered.

We provide waste audit services to capture baseline data, identify improvement opportunities, and track progress. This is supported by resource recovery specialists who help identify opportunities to reduce and/or better manage waste and achieve landfill diversion targets.

We also provide training for customers and households, including events, signage and online education around waste reduction and management.



Customers by segment





Initial contact

We have revamped our customer contact line, 13 13 39, with a focus on accessibility. We refreshed the menu with customer-focused language and clear options to minimise time being redirected. Through 'grade of service' KPIs, we measure how quickly we answer calls.



Customer onboarding

Our customer onboarding program will ensure that customers receive a high level and consistent service from day one, including faster activation times, data input accuracy and ensuring that new customers are supported to use our services correctly.



Trade experience

We offer reliable, flexible and sustainable service offerings tailored to customer needs. Our ambition is to meet our customers' expectations with 'service in full on time'. Some of our divisions have more to do to achieve this, but we are working to standardise this across the business.



Fairer contracts

We were one of the first waste management companies to update our terms and conditions to give customers increased transparency and flexibility. This is supported by training for all relevant teams.

Community engagement

Cleanaway takes pride in supporting communities to use our services better. We are committed to building strong community relationships through education and engagement. Community education plays an important role in increasing resource recovery.

Cleanaway is actively involved in supporting the 220 Australian communities we service. Cleanaway supports various local community organisations and has been the leading national partner of Clean Up Australia, an environmental charity, since 2016. We provide financial support to these programs, but also provide opportunities to expand their reach and create value for the broader community.

Community engagement is often driven by our own people who identify opportunities to support local causes that they are connected to, or proudly participate in community and sustainability events.

Community support throughout the bushfires

In FY20, bushfires had a devastating impact across Australia. We supported affected customers during this time by waiving late payment fees and unsuccessful service fees. We also matched employee donations towards bushfire-related charities with a donation to two charities nominated by Cleanaway: World Wildlife Fund and Firesticks. We also extended our paid volunteer leave to 10 working days for our employees involved in firefighting or bushfire relief.



Assets

We minimise our environmental impact through the responsible management of our assets as well as exploring and investing in new technologies.

Strategic assets

Engaging with customers and broader stakeholders assists in identifying emerging needs and expansion.

In FY20, the acquisition of former SKM Recycling Group assets added five resource recovery sites to Cleanaway's portfolio. The site in Laverton North, Victoria hosts an advanced plastic sorting facility that separates plastics into clean individual polymer grades for sale or input into a pelletising facility.

Since acquiring these assets, Cleanaway has continued its investment to significantly improve product quality, sortation throughput and operational reliability. This includes specific measures to upgrade safety protection and to meet our environmental obligations.

Technology advancement

By staying at the forefront of technology adoption, Cleanaway can ensure our infrastructure, assets and services respond to and even drive these changes. This helps deliver customer solutions, realise the full potential of resources and support Australia's transition to a circular economy.

Cleanaway keeps at the forefront of waste technology by:

- employing people with deep technical expertise and a passion for our mission;
- identifying and adopting leading waste management technologies from around the world; and
- partnering with organisations with complementary capabilities.

Identifying emerging needs



Greenfield sites



Technology upgrades to existing facilities



Acquisitions





Financials

We create value for all our stakeholders through a focus on sustainable financial performance.

Over the past five years, organic business growth, strategic acquisitions and joint ventures have been core to our business strategy. Managing this growth sustainably is important to securing long-term returns for our shareholders, and allows Cleanaway to contribute to the economy through job creation, procurement and transparent tax and other payments to governments.

Metrics

	FY20 (\$m)	FY19 (\$m)
Net revenue	2,100.1	2,109.1
Net debt	955.6	658.5
Net equity	2,570.0	2,534.3
Economic value generated	2,366.7	2,290.1
Economic value distributed		
Operating costs	742.2	788.2
Employee wages and benefits	666.6	666.9
Payments to providers of capital	113.1	91.7
Payments to government	622.5	516.1
Community investment	1.0	0.8
Total economic value distributed	2,145.4	2,063.7
Economic value retained	221.3	226.4

Board of Directors



Mark Chelley

Independent Non-Executive Director and Chairman of the Board

Independent Non-Executive Director since 1 March 2013 and was appointed Chairman on 30 September 2016.

Mark is a Non-Executive Director of Caltex Australia Limited (since April 2018). Formerly the Executive Chairman of Manufacturing Australia Limited (retired September 2017), the Managing Director and Chief Executive Officer of Adelaide Brighton Limited (retired May 2014) and Non-Executive Director of Virgin Australia Holdings Limited (resigned January 2020) and Infigen Energy (retired August 2020).

Mark has over 40 years of experience in the building materials and related industries, including roles such as Managing Director of Blue Circle Cement in the United Kingdom and senior management positions within the CSR group of companies in Australia and the United Kingdom.

He holds a Bachelor of Science (Ceramic Engineering), Masters of Engineering (Mechanical Engineering) and a Graduate Diploma in Management.



Vik Bansal

Chief Executive Officer and Managing Director

Vik joined Cleanaway as Chief Executive Officer and Managing Director in August 2015.

With over 25 years' experience in a range of executive roles in Australia, Asia and the United States, he has a proven track record of leading industrial organisations through significant growth, transition and improvement.

Vik was previously President and Chief Operating Officer of Valmont Industries Inc. – a US\$3.3 billion NYSE listed global engineering and manufacturing company based out of Omaha, Nebraska USA. Prior to that he was Group President of the Global Engineered Infrastructure Products segment of Valmont Inc. and Group President Asia Pacific.

Vik has also held senior line leadership positions with One Steel Limited and Eaton Corporation. He holds a Bachelor of Electrical Engineering with Honours, an MBA, and has completed the Advanced Management Program at INSEAD. Vik is a Fellow of the Australian Institute of Company Directors and a Fellow of Engineers Australia. He is a founding Board member of the National Waste & Recycling Industry Council (NWRIC).



Mike Harding

Independent Non-Executive Director, Chairman of the Remuneration and Nomination Committee and Member of the Health, Safety and Environment Committee

Independent Non-Executive Director since 1 March 2013

Mike is the Chairman of Downer EDI Limited (since November 2010), Lynas Corporation Ltd (since January 2015) and Horizon Oil Limited (since November 2018). Mike was formerly Chairman of Roc Oil Company Limited (resigned December 2014) and Non-Executive Director of Santos Limited (resigned May 2014). Mike also recently announced his retirement from Lynas Corporation with effect from the end of September this year.

Mike has significant experience within industrial businesses, having previously held management positions around the world with British Petroleum (BP), including President and General Manager of BP Exploration Australia. He holds a Masters in Science, majoring in Mechanical Engineering.



Philippe Etienne

Independent Non-Executive Director, Chairman of the Health, Safety and Environment Committee and Member of the Audit and Risk Committee

Independent Non-Executive Director since 29 May 2014.

Philippe is a Non-Executive Director of Lynas Corporation Limited (since January 2015) and Aristocrat Technologies Australia Ltd (since November 2019).

Formerly, the Managing Director and Chief Executive Officer of Innovia Security Pty Ltd (retired September 2014) and Non-Executive Director of Sedgman Limited (February 2015 to November 2015).

Philippe has held a range of other senior executive positions with Orica in Australia, the USA and Germany, including strategy and planning and responsibility for synergy delivery of large-scale acquisitions.

He holds a Bachelor of Science in Physiology and Pharmacology and a Master of Business Administration (MBA). A Graduate of the Australian Institute of Company Directors and has completed post-graduate qualifications in marketing.



Ray Smith

Independent Non-Executive Director, Chairman of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee

Independent Non-Executive Director since 1 April 2011.

Formerly he was Non-Executive Director of K&S Corporation Ltd (resigned 26 November 2019), Non-Executive Director of Crowe Horwath Australasia Limited (resigned January 2015) and Warrnambool Cheese and Butter Factory Company Holdings Limited (resigned May 2014) and Trustee of the Melbourne and Olympic Parks Trust (retired November 2016).

Ray has significant corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raisings, and was Chief Financial Officer of Smorgon Steel Limited Group for 11 years. He holds tertiary qualifications in Commerce. He is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.



Emma Stein

Independent Non-Executive Director, Member of the Audit and Risk Committee and Member of the Health, Safety and Environment Committee

Independent Non-Executive Director since 1 August 2011.

Emma is a Non-Executive Director of Alumina Limited (since February 2011), Infigen Energy Limited (since September 2017) and Adelaide Brighton Ltd (since October 2019).

Formerly, a Non-Executive Director of DUET Group (resigned May 2017) and Programmed Maintenance Services Ltd (resigned October 2017). Emma has significant corporate experience within industrial markets and was the UK Managing Director for French utility Gaz de France's energy retailing operations.

She holds tertiary qualifications in Science and a Masters of Business Administration (MBA). She is an Honorary Fellow of the University of Western Sydney and Fellow of the Australian Institute of Company Directors.



Samantha Hogg

Independent Non-Executive Director, Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee

Independent Non-Executive Director since 1 November 2019.

Samantha is a Non-Executive Director of MaxiTRANS Industries Limited (since April 2016) and Infrastructure Australia (since April 2019). She was formerly a Non-Executive Director of Australian Renewable Energy Agency (retired July 2020). Samantha is also a Commissioner on the National COVID-19 Coordination Commission (since July 2020).

Samantha is an experienced executive with international experience across the transport, infrastructure, energy and resources sectors. She has held senior executive positions at Transurban Group and Western Mining Company across a broad range of portfolios including finance, strategic projects, marketing and corporate services. Her most recent executive role was as the Chief Financial Officer of Transurban Group. Samantha holds a Bachelor of Commerce and is a member of the Australian Institute of Company Directors.



Terry Sinclair

Independent Non-Executive Director, Member of the Audit and Risk Committee, and Member of the Remuneration and Nomination Committee

Independent Non-Executive Director since 1 April 2012.

He currently serves as an Industry Advisor to Australian Super (effective October 2019), Chairman Marrakech Road Pty Ltd (effective July 2020), and a Non-Executive Director of Locate Technologies (effective May 2017) and Faethm.ai Pty Ltd. (effective February 2020).

Formerly, he was a Non-Executive Director of Ovato Limited, Managing Director of Service Stream Limited, Chairman of AUX Investments (jointly owned by Qantas and Australia Post), Chairman of Star Track Express, Director of Sai Cheng Logistics (China), Director of Asia Pacific Alliance (HK) and Head of Corporate Development at Australia Post.

He also provides M&A advisory services to private equity and government clients. Terry has significant operational and corporate development experience across Industrial, Resources and Consumer Services sectors including 20 years in senior management roles in BHP (Minerals, Steel and Transport/Logistics).

Senior Executive Team



Vik Bansal

Chief Executive Officer and Managing Director

With over 25 years' experience in a range of executive roles in Australia, Asia and the United States, he has a proven track record of leading industrial organisations through significant growth, transition and improvement. Vik was previously President and Chief Operating Officer of Valmont Industries Inc. – a US\$3.3 billion NYSE listed global engineering and manufacturing company based out of Omaha, Nebraska USA. Prior to that

he was Group President of the Global Engineered Infrastructure Products segment of Valmont Inc. and Group President Asia Pacific. Vik has also held senior line leadership positions with One Steel Limited and Eaton Corporation. He holds a Bachelor of Electrical Engineering with Honours, an MBA, and has completed the Advanced Management Program at INSEAD. Vik is a Fellow of the Australian Institute of Company Directors and a Fellow of Engineers Australia. He is a founding Board member of the National Waste & Recycling Industry Council (NWRIC).



Brendan Gill

Chief Financial Officer

Brendan joined Cleanaway in September 2014. Brendan has more than 30 years of experience as a finance professional, mainly in the mining, steel and energy sectors. His career included 26 years at BHP Billiton in finance, including as Vice President Finance Carbon Steel, CFO for both the Stainless

Steel Materials and Nickel businesses and Global Lead Risk Management & Audit. Since leaving BHP Billiton, Brendan has held CFO roles, most recently as CFO for Inova Resources (previously named Ivanhoe Australia). Brendan has a Bachelor of Business, is a Fellow of CPA Australia and a Graduate of the Australian Institute of Company Directors.



Johanna Birgersson

Executive General Manager, Human Resources

Johanna joined Cleanaway in May 2014 and was appointed Executive General Manager, Human Resources in December 2015. Johanna has more than 15 years' human resources experience gained in senior and executive roles. Prior to joining Cleanaway, Johanna was the Director People & Culture

of TSC Group Holdings. She has also worked across a number of industry sectors including fire & electronic security, plumbing & HVAC and hospitality. Johanna has a Bachelor of Arts, holds Post Graduate qualifications in Employee Relations and Human Resources Management from the University of Melbourne and is a Graduate of the Australian Institute of Company Directors.



Dan Last

General Counsel and Company Secretary

Dan joined Cleanaway as General Counsel and Company Secretary in March 2014. Dan is an experienced General Counsel and Company Secretary with over 20 years' experience in law firms and senior in-house legal roles.

Prior to joining Cleanaway, Dan was the General Counsel and Company Secretary of Foster's Group Limited. He has also worked in top tier law firms in Australia and overseas. Dan has a Bachelor of Laws (Hons), a Bachelor of Commerce and is a Fellow of the Governance Institute of Australia, and a Graduate of the Australian Institute of Company Directors.



Frank Lintvelt

Executive General Manager, Strategy, Mergers & Acquisitions

Frank first joined Cleanaway in 2013 and was appointed Executive General Manager, Strategy, Mergers & Acquisitions in November 2019. His current responsibilities also include oversight of Cleanaway's investor relations and corporate affairs.

Frank has more than 20 years' experience in senior corporate development, strategy and investment banking roles. Prior to joining Cleanaway, he spent 13 years in investment banking in London and Sydney, most recently with Morgan Stanley. Frank holds a Bachelor of Business Administration, a Masters of Business Administration from York University in Toronto (Canada) and is CPA qualified.



Mark Crawford

Executive General Manager, Solid Waste Services

Mark joined Cleanaway as Executive General Manager, Enterprise Services in February 2014 and became Executive General Manager, Operations, Solid Waste Services in August 2017. Mark has more than 15 years' operational experience gained in

senior and executive roles. He has worked across Australia and Asia Pacific to integrate complex business models and has extensive transformation experience across all business disciplines. Prior to joining Cleanaway, Mark held a number of general management roles at Australia Post, most recently as General Manager for the International business. Mark holds qualifications in Information Technology.



Michael Bock

Executive General Manager, Enterprise Services and Integration

Michael joined Cleanaway in March 2018 as Executive General Manager, Integration and appointed as Executive General Manager, Enterprise Services and Integration in August 2019. Before joining Cleanaway, Michael was a Senior Vice President in McKinsey & Company's transformation practice. Michael has spent more than 20 years in executive

roles, including seven years at ANZ Bank where he led the mortgages business and business improvement program; and 12 years at General Electric (GE), responsible for the trailer and fleet leasing businesses in both Australia and Mexico. He also served as the Global Lean Six Sigma Leader across 54 countries for one of GE's largest divisions. Michael holds a Bachelor's Degree in Economics from Harvard University and a Masters of Business Administration from the Kellogg School of Management.



Tim Richards

Executive General Manager, Liquid Waste & Health Services, and Industrial & Waste Services

Tim joined Cleanaway as Executive General Manager, Liquid Waste & Health Services in August 2018. Prior to joining Cleanaway, Tim was the CEO for Tomra Cleanaway, the network operator for the NSW Container Deposit Scheme. He has held various senior

and executive roles, including as CEO for Dexion Group and Divisional Chief Executive at Fletcher Building. Tim has over 20 years' experience in manufacturing industries across Australia and New Zealand and holds a Bachelor of Business, Accountancy and is a member of the Institute of Chartered Accountants in Australia and New Zealand. Tim also completed the Advanced Management Program at Wharton.



Chris Avramopoulos

Executive General Manager, Growth and Customer

Chris joined Cleanaway in February 2020 as Executive General Manager, Growth & Customer. Prior to joining Cleanaway, Chris held several senior positions at Orica, including General Manager – Mining Chemicals,

Vice President – Asia and Chief Transformation Officer. Chris has over 20 years' experience in the mining, industrial chemical trading and chemical manufacturing industries. Chris has a Bachelor of Science, majoring in Mathematics and Computer Science, having graduated with distinction at Swinburne University.

Extending the value chain for plastic

In FY20 Cleanaway announced we were establishing a joint venture with Pact Group and Asahi Beverages to build a plastic pelletising facility in Albury, NSW. Trading as Circular Plastics Australia, the facility will produce plastic resin from recycled bottles to be manufactured into new plastic containers.

Cleanaway will source and provide the feedstock plastics, the JV facility will process the PET plastic into food-grade recycled pellets, Pact with manufacture the new bottles and Asahi will use the new recycled PET bottles for their products.

A significant proportion of the plastic feedstock will come from the NSW container deposit scheme via Cleanaway's Eastern Creek Container Sorting Facility. This is the circular economy in action, with full visibility of the journey recovered materials take to be turned into new products. It is anticipated that the facility will be operational by December 2021.

We've teamed up to build a better system

Australians recycle
Just like they do now



Cleanaway collects



Circular Plastics Australia processes
Turning PET into pellets that can be used again



Asahi Beverages and PACT together recreate
Making new bottles from recycled materials



It's big

One huge new recycling facility
Helping us to process up to 28,000 t of plastic bottles into new packaging – making our beverages even better.



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40. Significant accounting policies
41. New standards adopted
42. New standards and interpretations not yet adopted

Directors' Report

The Directors present their Report (including the Remuneration Report) together with the Consolidated Financial Statements of the Group, consisting of Cleanaway Waste Management Limited (the Company) and its controlled entities (Cleanaway or the Group), for the financial year ended 30 June 2020 and the Independent Auditor's Report thereon.

Directors

The names of Directors of the Company at any time during or since the end of the financial year are set out below. Directors were in office for this entire period unless otherwise stated.

M P Chellew	Chairman and Non-Executive Director
V Bansal	Chief Executive Officer and Managing Director
R M Smith	Non-Executive Director
E R Stein	Non-Executive Director
T A Sinclair	Non-Executive Director
R M Harding	Non-Executive Director
P G Etienne	Non-Executive Director
S L Hogg	Non-Executive Director (appointed Non-Executive Director on 1 November 2019)

The office of Company Secretary is held by D J F Last, LLB (Hons), B.Com, FGIA, GAICD.

Particulars of Directors' qualifications, experience and special responsibilities can be found on page 28.

Principal activities

During the financial year the principal activities of Cleanaway were:

- Commercial and industrial, municipal and residential collection services for all types of solid waste streams, including general waste, recyclables, construction and demolition waste and medical and washroom services;
- Ownership and management of waste transfer stations, resource recovery and recycling facilities, secure product destruction, quarantine treatment operations and landfills;
- Sale of recovered paper, cardboard, metals and plastics to the domestic and international marketplace;
- Collection, treatment, processing and recycling of liquid and hazardous waste, including industrial waste, grease trap waste, oily waters and used mineral and cooking oils in packaged and bulk forms;
- Industrial solutions, including industrial cleaning, vacuum tanker loading, site remediation, sludge management, parts washing, concrete remediation, CCTV, corrosion protection and emergency response services;
- Refining and recycling of used mineral oils to produce fuel oils and base oils; and
- Generation and sale of electricity produced utilising landfill gas.

Dividends

The Company declared fully franked dividends on ordinary shares for the financial year ended 30 June 2020 of 4.1 cents per share, being an interim dividend of 2.0 cents per share and final dividend of 2.1 cents per share. The record date of the final dividend is 14 September 2020 with payment to be made 6 October 2020. The financial effect of the final dividend has not been brought to account in the Financial Statements for the financial year ended 30 June 2020 and will be recognised in a subsequent Financial Report.

Details of distributions paid in the financial year are as follows:

RECOGNISED (PAID AMOUNTS)	2020 \$'M	2019 \$'M
Fully paid ordinary shares		
Final dividend for 2019: 1.90 cents per share (2018: 1.40 cents per share)	38.9	28.5
Interim dividend for 2020: 2.00 cents per share (2019: 1.65 cents per share)	41.0	33.7
Total dividends paid	79.9	62.2

Operating and financial review

Review of financial results

The Group's statutory profit after income tax (attributable to ordinary equity holders) for the financial year ended 30 June 2020 was \$112.9 million (2019: \$120.4 million). The Group has incurred acquisition and integration related expenses, (net of tax) of \$27.9 million (2019: \$11.5 million) during the year ended 30 June 2020, principally related to the acquisitions of Toxfree and the SKM recycling business.

Revenue from ordinary activities increased by 2.1% to \$2,332.1 million (2019: \$2,283.1 million). Excluding the collection of levies, net revenue decreased by 0.4% to \$2,100.1 million (2019: \$2,109.1 million), primarily attributed to the impact of COVID-19 in the last quarter of the financial period.

Total expenses increased by 1.2% to \$1,879.6 million (2019: \$1,856.4 million). Excluding levies collected and paid, total expenses decreased by 2.1% to \$1,647.6 million (2019: \$1,682.4 million) primarily the result of property expenses decreasing by \$25.9 million following the adoption of AASB 16 Leases. Depreciation and amortisation expense increased by \$41.8 million to \$262.6 million (2019: \$220.8 million), mainly attributable to depreciation charges of \$38.0 million on right-of-use assets not previously carried on the balance sheet following the adoption of AASB 16. The Group's underlying profit after income tax (attributable to ordinary equity holders) for the year ended 30 June 2020 of \$150.3 million was up by 7.0% on the prior year (2019: \$140.5 million). A reconciliation of underlying profit to statutory profit is set out below.

Group results for the financial year ended 30 June 2020

	UNDERLYING ADJUSTMENTS							
	STATUTORY ¹ \$'M	MRF FIRE ⁴ \$'M	ACQUISITION & INTEGRA- TION COSTS ⁵ \$'M	GAIN ON SALE OF PROPERTIES ⁶ \$'M	OTHER ⁷ \$'M	UNDER- LYING ¹ \$'M	IMPACT OF AASB 16 \$'M	UNDERLYING EXCLUDING IMPACT OF AASB 16 ¹ \$'M
Solid Waste Services						388.3	(30.2)	358.1
Industrial & Waste Services						45.9	(1.0)	44.9
Liquid Waste & Health Services						106.3	(8.4)	97.9
Equity accounted investments						(2.1)	–	(2.1)
Waste management						538.4	(39.6)	498.8
Corporate						(22.7)	(3.1)	(25.8)
EBITDA²	487.1	(5.0)	32.8	(8.1)	8.9	515.7	(42.7)	473.0
Depreciation and amortisation	(262.6)	–	3.5	–	–	(259.1)	38.0	(221.1)
Write-off of plant and equipment	(19.6)	19.6	–	–	–	–	–	–
EBIT³	204.9	14.6	36.3	(8.1)	8.9	256.6	(4.7)	251.9
Net finance costs ⁸	(49.7)	0.3	0.1	–	1.9	(47.4)	8.8	(38.6)
Profit/(loss) before income tax	155.2	14.9	36.4	(8.1)	10.8	209.2	4.1	213.3
Income tax expense	(42.6)	(4.5)	(8.5)	–	(3.6)	(59.2)	(1.2)	(60.4)
Profit/(loss) after income tax	112.6	10.4	27.9	(8.1)	7.2	150.0	2.9	152.9
Attributable to:								
Ordinary equity holders	112.9	10.4	27.9	(8.1)	7.2	150.3	2.9	153.2
Non-controlling interest	(0.3)	–	–	–	–	(0.3)	–	(0.3)

1 The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information. The exclusion of underlying adjustments provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group. The non-IFRS financial information is unaudited.

2 EBITDA represents earnings before interest, income tax, and depreciation, amortisation and impairments.

3 EBIT represents earnings before interest and income tax.

4 On 25 November 2019 a fire occurred at the Materials Recycling Facility in Guildford, Western Australia. Insurance recovery income of \$20.8 million has been recognised. This income is offset by business interruption and clean-up costs of \$15.8 million expensed to date. In addition, \$19.6 million of plant and equipment has been written off.

5 Acquisition and integration costs include transaction costs and other costs associated with the acquisition of businesses during the period of \$8.5 million, the ongoing integration costs related to the acquisition of Toxfree which occurred on 11 May 2018 of \$18.8 million and integration costs of other acquisitions of \$5.5 million. The depreciation of \$3.5 million relates to the depreciation of right-of-use assets on property leases which were vacated early as part of the integration activities.

6 On 15 April 2020 the buffer land surrounding the old Tullamarine landfill site was sold for consideration of \$17.0 million.

7 Other adjustments of \$8.9 million comprise \$8.0 million following the reassessment of employee entitlements as result of a May 2020 court decision, \$2.0 million of increase in remediation provisions related to closed landfill sites and industrial properties as a result of the reduction in the discount rate (refer note 27 to the Financial Statements), offset by a gain on loss of control of Cleanaway ResourceCo RRF Pty Ltd of \$1.1 million, which occurred effective 1 January 2020 (refer note 29 of the Financial Statements).

8 Underlying adjustments to net finance costs of \$2.3 million relate to the fair value loss on USPP borrowings of \$34.0 million offset by the change in the fair value of cross currency interest rate swaps of \$33.4 million, the write-off of costs related to financing facilities closed out early of \$1.3 million and interest costs of \$0.4 million related to lease liabilities on vacated properties.

Directors' Report

Operating and financial review (continued)

Review of financial results (continued)

Group results for the financial year ended 30 June 2019

	UNDERLYING ADJUSTMENTS				
	STATUTORY ¹ \$'M	LOSS ON SALE OF INVESTMENTS ⁴ \$'M	ACQUISITION & INTEGRATION COSTS ⁵ \$'M	CHANGE IN REMEDIAL PROVISIONS DISCOUNT RATE ⁶ \$'M	UNDERLYING ¹ \$'M
Solid Waste Services					352.8
Industrial & Waste Services					46.6
Liquid Waste & Health Services					86.9
Equity accounted investments					0.7
Waste management					487.0
Corporate					(25.4)
EBITDA²	433.7	2.2	16.6	9.1	461.6
Depreciation and amortisation	(220.8)	—	—	—	(220.8)
EBIT³	212.9	2.2	16.6	9.1	240.8
Net finance costs	(46.9)	—	—	—	(46.9)
Profit before income tax	166.0	2.2	16.6	9.1	193.9
Income tax expense	(45.5)	—	(5.1)	(2.7)	(53.3)
Profit after income tax	120.5	2.2	11.5	6.4	140.6
Attributable to:					
Ordinary equity holders	120.4	2.2	11.5	6.4	140.5
Non-controlling interest	0.1	—	—	—	0.1

1 The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information. The exclusion of underlying adjustments provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group. The non-IFRS financial information is unaudited.

2 EBITDA represents earnings before interest, income tax, and depreciation, amortisation and impairments.

3 EBIT represents earnings before interest and income tax.

4 Relates to the loss incurred on the sale of equity accounted investments in Total Waste Management Pty Ltd and Western Resource Recovery Pty Ltd, effective 10 December 2018.

5 Acquisition and integration costs include the ongoing integration costs related to the acquisition of Toxfree which occurred on 11 May 2018 and transaction costs and other costs associated with the acquisition of businesses during the period.

6 Remediation liabilities related to closed landfill sites and industrial properties as a result of the reduction in the discount rate (refer note 27 to the Financial Statements).

Review of financial position

Operating cash flows increased by 14.5% to \$401.5 million (2019: increase of 58.6% to \$350.8 million). During the financial year ended 30 June 2019 the Group received a one-off tax refund of \$25.0 million. In the current period, operating cash flows are higher by \$35.5 million as a result of the implementation of AASB 16 *Leases*. Operating lease costs of \$44.7 million have been classified in the cash flow statement as interest payments of \$9.2 million in operating cash flows and repayment of lease liabilities of \$35.5 million in financing cash flows.

The Group's net assets have increased from \$2,536.6 million to \$2,571.0 million. At 30 June 2020 the Group had a net current asset deficiency of \$49.6 million (30 June 2019: net current asset surplus of \$11.0 million). The net current asset deficiency arises mainly from the implementation of AASB 16. Current lease liabilities of \$46.8 million related to operating leases not previously recognised on balance sheet are now included on balance sheet in current interest-bearing liabilities, however the related right-of-use asset is classified as a non-current asset. The Group has sufficient unutilised committed debt facilities at 30 June 2020 and therefore the Directors are satisfied that the Group can meet its financial obligations as and when they fall due.

At balance date the Group had total syndicated debt facilities of \$650.0 million (2019: \$900.0 million), US Private Placement Notes of \$426.9 million (2019: nil), financing arrangements with the Clean Energy Finance Corporation of \$90.0 million (2019: \$100.0 million) and an uncommitted bank guarantee facility of \$60.0 million (2019: \$60.0 million). The headroom available in the Group's facilities at 30 June 2020 was \$421.1 million (2019: \$317.9 million) and cash on hand was \$79.8 million (2019: \$56.2 million). Further information on the Group's financing facilities is provided in note 16 to the Financial Statements.

Directors' Report

Operating and financial review (continued)

Review of financial position (continued)

The Group's gearing ratio at period end, defined as net debt over net debt plus equity, was 27.1% (2019: 20.6% on a pre AASB 16 basis). During the financial year Cleanaway completed a US Private Placement Notes issue. The currency exposure has been hedged resulting in three equal tranches of \$132.5 million Australian dollars with maturities of 8, 10 and 12 years. The weighted average margin is 1.61% above Australian bank bill swap rates. As a result of the notes issue and the cancellation of a shorter term \$250.0 million facility, the weighted average debt maturity has been extended to 5.4 years (2019: 3.8 years).

Review of Operations

The Group comprises three operating segments, being Solid Waste Services, Industrial & Waste Services and Liquid Waste & Health Services. Unallocated items include the Group's share of profits from equity accounted investments and corporate balances. A description of the operating segments and a summary of the associated segment results are set out below:

Solid Waste Services

	INCLUDING IMPACT OF AASB 16 30 JUNE 2020 S'M	IMPACT OF AASB 16 30 JUNE 2020 S'M	EXCLUDING IMPACT OF AASB 16 30 JUNE 2020 S'M	30 JUNE 2019 S'M
Underlying EBITDA ¹	388.3	(30.2)	358.1	352.8
Underlying EBIT ²	212.7	(3.5)	209.2	204.0

Core business	The Solid Waste Services segment comprises the collection, recovery and disposal of solid waste, including putrescible waste, inert waste, household waste and recovered waste. Waste streams are generally processed through our resource recovery and recycling facilities, transfer stations and landfills.
Financial metrics	Total revenue for the Solid Waste Services segment increased by 4.5% to \$1,604.8 million. Underlying EBITDA increased by 1.5% to \$358.1 million. Underlying EBIT increased by 2.5% to \$209.2 million.
Performance	<p>The result was impacted by COVID-19 and lower commodity prices, partially offset by reduced rebates to customers. The introduction of a landfill levy in Queensland on 1 July 2019 resulted in reduced landfill volumes in Queensland, which were partially offset by higher collections and resource recovery volumes. We remained disciplined in relation to our gate fees at the Queensland landfill to ensure we did not give up valuable air space for poor quality volume.</p> <p>The acquisition of the SKM business was completed during the period. Upgrading of the SKM assets has been completed enabling Cleanaway to produce higher quality commodities that will ultimately be reused in new products as we move further towards a circular economy.</p> <p>A fire occurred at the Perth Material Recycling Facility on 25 November 2019. The clean-up of the Perth Material Recycling Facility was completed in the second half of the year ended 30 June 2020 and we are continuing to work with our customers to develop alternative solutions while our new facility is being constructed. Completion is targeted for the second half of the year ending 30 June 2021 assuming no COVID-19 related disruptions. Once complete, it will deliver a better and high-quality recycling service to the Perth market.</p> <p>During the period, Cleanaway successfully tendered for both the City of Casey (Melbourne's largest municipality) and the South Australian Council Solutions contracts.</p> <p>The WA regional CDS scheme "Containers for Change" is expected to commence on 1 October 2020 with Cleanaway providing logistics and processing services.</p>

¹ EBITDA represents earnings before interest, income tax, and depreciation, amortisation and impairments.

² EBIT represents earnings before interest and income tax.

Directors' Report

Operating and financial review (continued)

Review of Operations (continued)

Industrial & Waste Services

	INCLUDING IMPACT OF AASB 16 30 JUNE 2020 S'M	IMPACT OF AASB 16 30 JUNE 2020 S'M	EXCLUDING IMPACT OF AASB 16 30 JUNE 2020 S'M	30 JUNE 2019 S'M
Underlying EBITDA	45.9	(1.0)	44.9	46.6
Underlying EBIT	21.4	–	21.4	22.5

Core business	The Industrial & Waste Services segment provides a wide variety of services to the Infrastructure, Industrial and Resources markets. Services include drain cleaning, non-destructive digging, vacuum loading, high pressure cleaning, pipeline maintenance and CCTV.
Financial metrics	Total revenue decreased by 8.3% to \$313.4 million and Underlying EBITDA decreased by 3.6% from \$46.6 million to \$44.9 million. Underlying EBIT decreased by 4.9% from \$22.5 million to \$21.4 million.
Performance	Whilst revenues decreased in the Industrial & Waste Services segment, margins improved at both the EBITDA and EBIT levels as a result of a focus on higher margin contracts and exiting low margin contracts. This segment also benefited from the acceleration of the final phase of the Toxfree integration and improved performance in the parts of the segment exposed to the resources sector.

Liquid Waste & Health Services

	INCLUDING IMPACT OF AASB 16 30 JUNE 2020 S'M	IMPACT OF AASB 16 30 JUNE 2020 S'M	EXCLUDING IMPACT OF AASB 16 30 JUNE 2020 S'M	30 JUNE 2019 S'M
Underlying EBITDA	106.3	(8.4)	97.9	86.9
Underlying EBIT	64.3	(1.2)	63.1	54.0

Core business	<p>The Liquid Waste & Health Services segment comprises:</p> <ul style="list-style-type: none"> Liquid Waste – the collection, treatment, processing, refining and recycling and destruction of hazardous and non-hazardous liquids, hydrocarbons and chemical waste, specialised product destruction, hazardous waste and e-waste. Health Services – the provision of services to the health sector for the safe treatment and disposal of health-related waste which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.
Financial metrics	Total revenue increased by 3.8% to \$513.6 million and underlying EBITDA increased by 12.7% from \$86.9 million to \$97.9 million. Underlying EBIT increased by 16.9% from \$54.0 million to \$63.1 million.
Performance	<p>Hydrocarbons performed strongly on the back of improved volume and production efficiencies following recent plant upgrades, offset by lower global oil prices in the last quarter.</p> <p>Health Services continues to grow with the re-signing of some of its major customers for a further three to five years. This business remains on track to deliver on our strategic expectations.</p> <p>Packaged and bulk hazardous waste streams continue to grow both revenue and earnings following the integration of Toxfree.</p>

Operating and financial review (continued)

Key business strategies and prospects

Our Cleanaway Way, which has been refined over the years, is the Group's strategy on a page and it represents the business that Cleanaway is today. It was designed to create a common language and narrative across the organisation and ensure all employees are aligned in their efforts to execute the following strategic business objectives:

Delivering Footprint 2025

Cleanaway's Footprint 2025 strategy, which was developed in 2016, is a plan to optimise the waste value chain from collection to disposal, with a particular focus on resource recovery. Through that strategy, Cleanaway continues to strengthen its network of prized infrastructure assets that are key parts of the infrastructure necessary to sustainably manage the waste generated across Australia. These infrastructure assets also provide a strategic moat to the business. During the financial year the Group completed the integration of the Toxfree business and the acquisition of the SKM Recycling business. While the decisions being made today are underpinned by existing market economics, momentum is building amongst policy makers in relation to Australia's waste management. As the targets and actions in the National Waste Policy Action Plan 2019 are implemented, Cleanaway expects further investment opportunities to emerge. These will complement the opportunities the Group continues to investigate with its customers in helping them achieve their sustainability goals.

The pursuit of a circular economy

The Group's journey in pursuit of a circular economy continues and in the coming years Cleanaway is pursuing a number of key projects that are strategically important for its business. The Group's energy-from-waste project in western Sydney provides a more environmentally friendly solution to Sydney's growing waste disposal needs. It also supports Cleanaway's preference for internalisation of waste and enhances the service offering to our customers in that region. Subject to final investment decision, which will require a significant portion of the processing capacity to be underpinned by long-term contracts, it will be one of Cleanaway's largest single asset investments to date. The Group has also entered into a joint venture to develop a plastic pelletising plant in Albury, NSW. This facility will provide an opportunity to extract greater value from the plastics Cleanaway currently recover. The location of the plant will provide access to both the New South Wales and Victorian markets for feedstock and customers. While the project will initially produce PET plastic pellets, Cleanaway will also investigate the commercial viability of recycling other plastics. With each of these projects Cleanaway has partnered with organisations that bring complementary skills and experience in order to build and develop internal capability and de-risk the investments.

A strong customer service culture

Cleanaway's strategy is most successful when it is complemented by a strong customer service culture. The Group has been working hard to deliver service levels that meet and exceed our customers' expectations. As the business has, and continues to grow organically and through acquisition, Cleanaway has been dynamic and adaptive in its response to improve customer service levels. The Group continues to work on simplifying our systems and processes. Over the coming years Cleanaway will be pursuing a digitisation strategy that is fit for purpose and will meet the evolving needs of our business and customers.

Maintain our strong balance sheet

The Group's balance sheet remains strong and Cleanaway will continue to maintain its culture of financial discipline. The Group's debt and gearing levels are within target levels, with a net debt to underlying EBITDA ratio of 1.46 times (measured on a pre AASB 16 basis in line with our banking covenants). This is a level that provides the Group the flexibility needed in the future to fund selected earnings accretive projects and acquisitions.

Identifying accretive investment opportunities

Cleanaway believes the industry will continue to consolidate and as the leading integrated waste management company in Australia, it will assess opportunities that align with its strategy. Cleanaway is in a strong financial position that creates flexibility and allows a quick and decisive response to emerging opportunities.

Optimisation of margins across the business

The Group's ability to understand its customers' needs and improve customer satisfaction, internalisation of waste, synergies through acquisitions and continuous improvement in the Group's operations should be an improvement in the quality of our earnings and the long-term profitability of the business.

Directors' Report

Operating and financial review (continued)

Principal risks

The Board has adopted a Risk Management, Compliance and Assurance Policy that sets out Cleanaway's commitment to proactive enterprise risk management and compliance. The policy is supplemented by an Enterprise Risk Management Framework that seeks to embed risk management processes into Cleanaway's business activities. The material business risks that could adversely impact the Group's financial prospects in future periods and the broad approach Cleanaway takes to manage these risks are outlined below. These risks are not to be taken to be a complete or exhaustive list of the risks Cleanaway is exposed to nor are they listed in order of significance.

RISK	DESCRIPTION	MITIGATION
Economic growth	Cleanaway provides its services and products to individuals, companies and government across a range of economic sectors in Australia. Changes in the state of the economy and the sectors of the economy to which the Group is exposed may have an adverse impact on the demand and pricing for Cleanaway's services and products and the Group's operating and financial performance. Factors which have impacted results in recent periods include increases and decreases in GDP and CPI, increases and decreases in the manufacturing, industrial and construction industries and resource sector activity.	To the extent possible, the Group manages these risks by incorporating a consideration of economic conditions and future expectations into its corporate and financial plans.
Regulatory environment	Cleanaway's operations are subject to a variety of federal, state and local laws and regulations in Australia. These laws and regulations establish various standards about the types of operations that can be undertaken and the manner in which they are undertaken. Regulatory requirements which have impacted historical results include state-based waste levies, carbon tax, environmental regulation and planning regulations. Changes in regulatory requirements or failure to comply with conditions of permits and licences could adversely affect Cleanaway's ability to continue operations on a site and in turn the Group's financial performance.	Cleanaway manages these risks by developing and implementing appropriate systems, policies and procedures to ensure compliance with applicable regulatory requirements. Furthermore, to the extent possible, the Group incorporates consideration of changes in regulatory requirements into its corporate and financial plans and forecasts.
Integration of acquisitions	There are potential integration risks associated with any acquisition, including due diligence risks, potential delays or unplanned costs in implementing operational changes, difficulties in integrating operations and distracting management's attention from other activities. There is also a risk that the synergies relating to acquisitions are lower than anticipated. Any failure to fully integrate the operations of an acquired business, or failure to achieve anticipated synergies, could adversely impact the operational performance and profitability of the Group.	Cleanaway manages these risks by putting in place dedicated resources to manage and monitor the integration process and closely monitors the timing, quantum and cost to achieve synergies from acquisitions.

Operating and financial review (continued)

Principal risks (continued)

RISK	DESCRIPTION	MITIGATION
Sustainability risks	Cleanaway faces a variety of risks that could impact on its sustainability. How risk is managed is integral to ensuring the Group achieves its vision of making a sustainable future possible. Sustainability encompasses building a resilient business focussed on sustainable performance, investing in people and relationships with customers and the communities in which Cleanaway work, and leading industry to leave the planet in better shape for future generations. One such risk that Cleanaway managed is its response to the COVID-19 pandemic. Managing these risks effectively is critical to ensuring that Cleanaway maintains its social licence to operate in the communities in which it has significant operations.	Cleanaway manages these risks in accordance with its enterprise-wide risk managing framework. This includes regularly reviewing its risk tolerance, the risks that have been identified as well as how they are being managed. Cleanaway has and continues to manage its operations efficiently and effectively through the COVID-19 pandemic to protect the safety of our employees, continue to service our customers and ensure the business remains sustainable.
Environment risks	There is potential for damage to the environment arising from Cleanaway's operations. If mishandled, waste can pose hazards to the environment, such as contaminating waterways, harmful air emissions, and fires. Failing to operate in accordance with environmental standards not only has the potential to result in environmental harm but also increases compliance costs, jeopardises our social license to operate, and causes reputational damage with our stakeholders and investors.	Upholding the highest standards in environmental performance is crucial to the success and sustainability of our business. Our collection, sorting, treatment and disposal processes are designed to mitigate the risk of these hazards. Our Environmental Policy sets out our aim of 'Zero Harm' to the environment and our commitment to upholding and continuing to improve our environmental standards for the benefit of the environment, our employees, stakeholders and the community.
Financial risks	Cleanaway is exposed to a variety of financial risks, including credit risk, adverse movements in interest rates and foreign currency exchange rates, as well as liquidity risk. These risks may have an adverse effect on the Company's operating and financial performance.	Information on how Cleanaway manages these financial risks is included in note 33 to the Financial Statements.
Health and Safety	Cleanaway's operations involve risks to both property and personnel. A health and safety incident may lead to serious injury or death, which may result in reputational damage and adverse operating impacts with consequential effects to Cleanaway's financial performance and position.	Cleanaway manages these risks by developing and implementing appropriate strategies, systems, policies and procedures in respect of operational health and safety matters to ensure compliance with legal and regulatory obligations.
Attract and retain key management	Cleanaway's operations are dependent upon the continued performance, efforts, abilities and expertise of its senior management. The loss of services of such personnel may have an adverse effect on the operations of Cleanaway as the Company may be unable to recruit suitable replacements within a short timeframe.	Cleanaway has in place human resource strategies and remuneration and employment policies to attract, retain and motivate executives and align their interests with those of stakeholders.

Directors' Report

Operating and financial review (continued)

Principal risks (continued)

RISK	DESCRIPTION	MITIGATION
Operational risks	<p>A prolonged and unplanned interruption to Cleanaway's operations could significantly impact the Company's financial performance and reputation. Cleanaway is exposed to a variety of operational risks, including risk of site loss or damage, environmental and climatic events, global pandemic risks, industrial disputes, technology failure or incompetency and systems security or data breaches.</p> <p>Operational risks also include the ability of Cleanaway to continue to build a strong customer service culture to ensure we service and retain our customers.</p>	<p>Cleanaway has a range of controls and strategies in place to manage such risks, including site business continuity and crisis management plans, inspection and maintenance procedures, compliance programs, training, site and business interruption insurance and systems security testing and improvements.</p> <p>Customer requirements and service levels for the treatment and recycling of waste are constantly changing. There is an heightened expectation from customers for waste providers to fulfil requirements for appropriate disposal/recycling of waste once collected. By understanding our customers needs and executing on this, Cleanaway can use our capability as a differentiator to drive growth and value.</p>
Climate change	<p>Climate change is an emerging risk and presents complex challenges for companies, governments and society. We believe that the transition to a zero-carbon economy presents opportunities for our business as well as risks. These risks include decarbonisation of the economy leading to contraction in carbon-intensive industries; the introduction of a carbon price; and an increase of frequency and severity of extreme weather events. Opportunities for Cleanaway may include increased regulation to reduce embodied carbon emissions favouring the domestic recycling industry, and increased incentives to invest in energy-from-waste plants.</p>	<p>Cleanaway has committed to align with the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. The TCFD recommends companies assess and disclose the financial impacts of climate-related risks and opportunities. Our Sustainability Report will set out our first response to the TCFD recommendations. Cleanaway has developed a three-year plan to improve our management and disclosure of climate-related risks and opportunities. A major part of this will be to incorporate climate change into our ongoing strategic decision making. In the year ending 30 June 2021 we will strengthen our governance capability and perform a deep-dive analysis into our key transitional risks to better understand how to mitigate or manage these impacts.</p>
Commodity risks	<p>Cleanaway is exposed to changes in the prices of commodities, particularly paper, cardboard, glass and plastics from recycling activities. The demand for, and the price of, commodities is highly dependent on a variety of factors, including international supply and demand, the price and availability of substitutes, actions taken by governments such as China's National Sword policy, and global economic and political developments.</p>	<p>Cleanaway closely monitors global commodity markets and market conditions relating to production of commodities to minimise potential exposures to commodity risks.</p> <p>Collection contracts are also economically hedged via the use of rebates linked to underlying commodity prices.</p>
Cyber risks	<p>Cleanaway, like any large organisation faces an ever-changing cyber security threat, and needs to prevent, detect and respond to cyber security threats by maintaining a high standard of information security control.</p>	<p>Cleanaway's information technology processes and systems are subject to regular review, both internal and external, and maintenance to actively prepare for, monitor and respond to potential threats. Business continuity plans are in place and assessed on an ongoing basis.</p>

Directors' Report

Significant changes in the state of affairs

Other than matters mentioned in this Report, no other significant changes in the state of affairs of the Group occurred during the financial year ended 30 June 2020.

Events subsequent to reporting date

There have been no matters or circumstances that have arisen since 30 June 2020 that have affected the Group's operations not otherwise disclosed in this report.

Likely developments and expected results of operations

The Group will continue to pursue strategies aimed at improving the profitability, return on capital employed and market position of its principal activities during the next financial year.

Disclosures of information regarding the likely developments in the operations of the Group and the expected results of those operations in future financial years have been included in the Operating and Financial Review section of this Report.

Environmental regulation

The Group's operations are subject to significant environmental regulation and the Group holds environmental licences for its sites.

The Group is committed to achieving the highest standards of environmental performance. There were no material breaches of environmental statutory requirements and no material prosecutions during the year. Aggregate fines paid during the year to the date of signing this Annual Report were \$65,276 (2019: \$71,568).

The Group is registered under the *National Greenhouse and Energy Reporting Act 2007*, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Directors' meetings

The number of Directors' meetings and Committee meetings, and the number of meetings attended by each of the Directors who was a member of the Board and the relevant Committee, during the financial year were:

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		SUSTAINABILITY COMMITTEE ⁶		REMUNERATION AND NOMINATION COMMITTEE	
	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A MEMBER	NUMBER ATTENDED	MEETINGS HELD WHILE A MEMBER	NUMBER ATTENDED	MEETINGS HELD WHILE A MEMBER	NUMBER ATTENDED
Directors								
M P Chellew ¹	10	10	—	—	—	—	—	—
V Bansal	10	10	—	—	—	—	—	—
R M Smith ²	10	10	5	5	—	—	4	4
E R Stein	10	10	5	5	4	4	—	—
T A Sinclair	10	10	5	5	—	—	4	4
R M Harding ³	10	8	—	—	4	4	4	4
P G Etienne ⁴	10	10	5	5	4	4	—	—
S L Hogg ⁵	5	5	3	3	—	—	—	—

1 Chairman of the Board.

2 Chairman of Audit and Risk Committee.

3 Chairman of Remuneration and Nomination Committee.

4 Chairman of the Sustainability Committee.

5 Appointed Non-Executive Director on 1 November 2019.

6 Renamed Sustainability Committee on 14 August 2019, previously named the Health, Safety and Environment Committee.

Directors' Report

Directors' interests

The relevant interests of each Director in the shares and performance rights over such instruments issued by Cleanaway Waste Management Limited, as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, as at the date of this report is as follows:

	ORDINARY SHARES	PERFORMANCE RIGHTS
Directors		
M P Chellew	156,548	–
V Bansal	5,504,751	3,849,511
R M Smith	123,720	–
E R Stein	125,688	–
T A Sinclair	49,417	–
R M Harding	29,696	–
P G Etienne	82,715	–
S L Hogg	–	–

Shares under option and performance rights

During the financial year ended 30 June 2020 and up to the date of this Report, no options were granted over unissued shares. As at the date of this Report there are no unissued ordinary shares of the Company under option.

Details of performance rights granted under the short-term incentive and long-term incentive offers in the 2020 and 2019 financial years are set out in the Remuneration Report. Total performance rights outstanding as at 30 June 2020 are 10,315,392 (2019: 13,025,041). Performance rights outstanding at the date of this report are 10,094,417.

Shares issued on the exercise of performance rights

During the financial year ended 30 June 2020 and up to the date of this report, the Company issued 4,604,526 shares as a result of the exercise of performance rights that vested during the year. During the financial year ended 30 June 2019 and up to the date of the 2019 report, the Company issued 4,880,729 ordinary shares as a result of the exercise of performance rights that vested on 30 June 2019.

Directors' and officers' insurance

During the financial year, the Company paid insurance premiums to insure the Directors and Officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of entities in the Group, and any other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the Directors and Officers or the improper use by the Directors and Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. Disclosure of the premium paid is not permitted under the terms of the insurance contract.

Non-audit services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company and/or the Group are relevant. During the financial year ended 30 June 2020, non-audit services provided by Ernst & Young included other advisory services relating to the Group's Sustainability Report.

The Directors have considered the position and in accordance with written advice provided by resolution from the Audit and Risk Committee, are satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporation Act 2001* for the following reasons:

- The value of non-audit services of \$248,068 provided by Ernst & Young during the period was not significant, representing less than 13.5% of the total services;
- All non-audit services were subject to the corporate governance procedures adopted by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve the reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' Report

Non-audit services (continued)

	2020 \$	2019 \$
Ernst & Young:		
Audit services	1,315,526	1,301,343
Audit related services	277,585	81,891
Non-audit services:		
Other advisory services	248,068	–
Total	1,841,179	1,383,234

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 63.

Auditor rotation

On 30 June 2020, on the recommendation of the Audit and Risk Committee, the Directors granted an approval for the extension of the Group's audit partner, Brett Croft, for a further one year when the initial five years as permitted under the *Corporations Act 2001* (the *Corporations Act*) expired in June 2020. The Audit and Risk Committee's recommendation was based on the following reasons:

- The Committee is satisfied that it would not give rise to a conflict of interest situation as defined in section 324CD of the *Corporations Act* due to the auditor independence policies operated by Ernst & Young and the Company;
- The Committee is satisfied with the skills and personal qualities of the audit partner which are consistent with maintaining the quality of the audit provided to the Company;
- The Committee is satisfied that the audit partner's knowledge of the Company will assist to provide the Board with an appropriate level of independent assurance given the significant projects and transactions that are underway; and
- Given the potential impact of COVID-19 on audit activities, processes and planning, in particular that the June 2020 audit was executed remotely, the Committee considers that continuity of the existing audit partner to be prudent and appropriate.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

This Report, including the Remuneration Report set out on pages 46 to 62, is made in accordance with a resolution of the Board.



M P Chellew
Chairman and Non-Executive Director

Melbourne, 25 August 2020



V Bansal
Chief Executive Officer and Managing Director

Remuneration Report (Audited)

Contents

The Report contains the following sections:

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Introduction

The Directors of Cleanaway Waste Management Limited present the Company's Remuneration Report (the Report) which forms part of the Directors' Report for the financial year ended 30 June 2020. This Report outlines the remuneration arrangements for Key Management Personnel (KMP) of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The information in this Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Overview and context for the remuneration outcomes set out in this Report

Over the last financial year, Cleanaway has continued to perform strongly, with increases in: Underlying Net Profit after Tax (NPAT); Earnings before Interest and Tax (EBIT); Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA); Earnings per Share (EPS); and Dividend payments. These results continue the trend of improvements in both quality and quantity of earnings since the year ended 30 June 2015.

The Group have also delivered on key strategic initiatives, such as completion of the Toxfree integration, the acquisition of the SKM recycling business, remediation and rectification of legacy landfills and enhancing our resource recovery capabilities in line with our Footprint 2025 Strategy. These financial and strategic outcomes were delivered in the context of challenging market and operating conditions, in particular the impact of the COVID-19 pandemic.

Restrictions imposed to reduce the spread of COVID-19 disrupted the Group's operations and reduced the demand for services in some segments in the final quarter of the year. During that period, Cleanaway continued to provide consistent services to customers in its capacity as an essential service provider.

In response to these challenges, Cleanaway prioritised the health and safety of employees, continuity of employment for team members and the servicing of its customers. Cleanaway has not received any direct assistance from government to support the profitability of its operations during the COVID-19 pandemic and does not benefit from the federal government's JobKeeper program. As the new financial year commences, uncertainty in relation to the impact of COVID-19 continues, but Cleanaway continue to focus on these priorities in providing services to its customers.

With this context, the Directors have carefully considered the remuneration outcomes set out in this Report and have sought to ensure that they align with shareholders' experience and market expectations.

Whilst Cleanaway continued to improve its performance across key financial metrics during the course of the year, the impact of COVID-19 in the final quarter of the year resulted in below target outcomes for KMP that participate in the Company's STI program. Similarly, although health and safety performance improved during the course of the year, as measured by the Group's Total Recordable Injury Frequency Rate (TRIFR), Executives were not eligible for STI payments related to this metric due to work-related road accidents leading to fatalities that occurred resulting from the Group's operations.

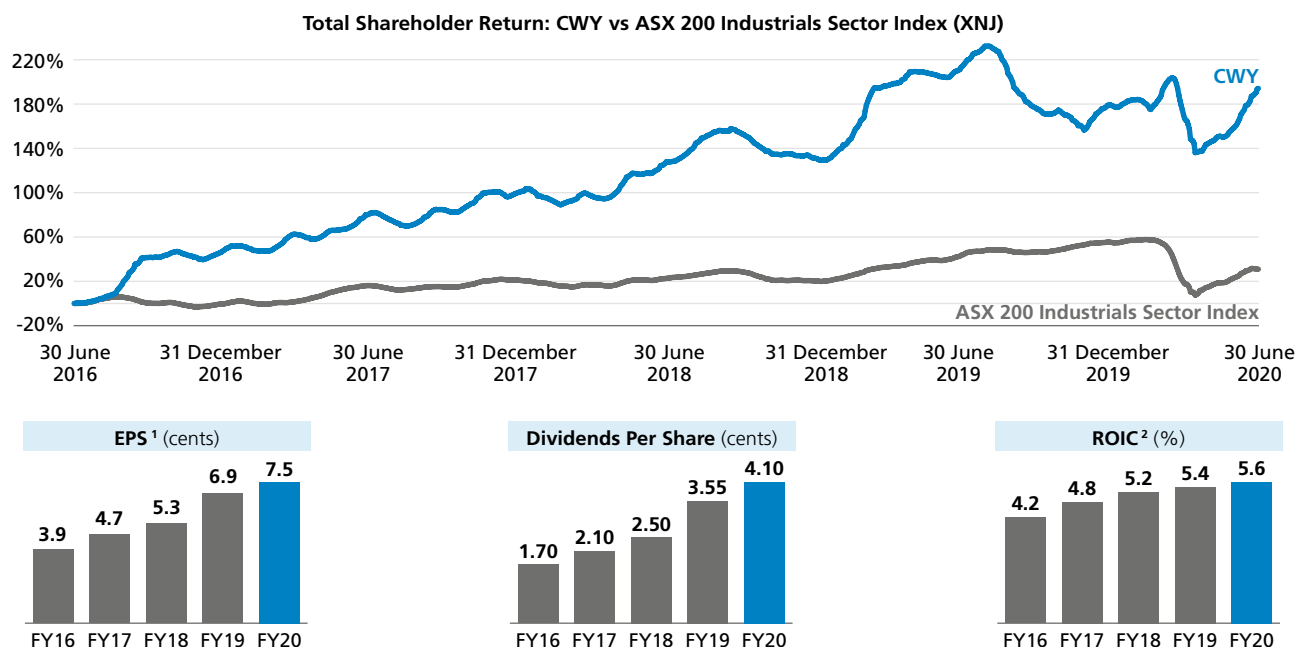
Notwithstanding the impact of COVID-19 in the final quarter of the year ended 30 June 2020, the Group's outperformance on the LTI relative TSR and EPS growth metric hurdles over the three year performance period resulted in an above target outcome for Executive KMP that participated in the LTI Plan. The Group's performance in relation to these metrics is set out in the tables below and detailed elsewhere in this Report.

Given the impact of COVID-19 on the Group and the uncertainty regarding its continued impact, the Directors have also determined that it is not appropriate to increase Non-Executive Director fees at this time.

Remuneration Report (Audited)

Introduction (continued)

Given the Group's overall performance in the year ended 30 June 2020 (FY20) and in the context of the impact of the COVID-19 pandemic, the Directors of Cleanaway consider that there is appropriate alignment between Cleanaway shareholders' experience over FY20 and the remuneration outcomes for KMP as set out in this Report.



1 Basic EPS on underlying results. FY20 excludes the impact of AASB 16 to enable consistent comparison.

2 Return on Invested Capital calculated is tax effected EBIT divided by average net assets plus net debt. FY20 excludes the impact of AASB 16 to enable consistent comparison.

1 Key management personnel

For the purposes of this Report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

KMP for the year ended 30 June 2020 includes the Non-Executive Directors, the Chief Executive Officer (CEO) and Managing Director, the Chief Financial Officer (CFO), the Executive General Manager – Solids Waste Services and the Executive General Manager – Liquid Waste & Health Services and Industrial & Waste Services.

The KMP disclosed in this Report for the year ended 30 June 2020 are detailed in the following table:

NAME	TITLE
NON-EXECUTIVE DIRECTORS	
M P Chellev	Chairman and Non-Executive Director
R M Smith	Non-Executive Director
E R Stein	Non-Executive Director
T A Sinclair	Non-Executive Director
R M Harding	Non-Executive Director
P G Etienne	Non-Executive Director
S L Hogg ¹	Non-Executive Director
EXECUTIVES	
V Bansal	Chief Executive Officer (CEO) and Managing Director
B J Gill	Chief Financial Officer (CFO)
M Crawford	Executive General Manager – Solid Waste Services
T Richards	Executive General Manager – Liquid Waste & Health Services and Industrial & Waste Services

1 Ms Hogg was appointed Non-Executive Director on 1 November 2019.

2 Governance and role of the Board

2A. Remuneration and Nomination Committee

The Remuneration and Nomination Committee (Committee) assists the Board in its oversight of the Group's remuneration and incentives strategy and arrangements; recruitment; retention and succession plans for the Board and executive management team; corporate culture and engagement; and diversity and inclusion strategy.

The Committee's charter is available online at: <http://www.cleanaway.com.au/for-investors/corporate-governance/>

The Committee is comprised entirely of independent Non-Executive Directors: Mike Harding (Chairman), Ray Smith, Terry Sinclair and Samantha Hogg. Non-Executive Directors, who are not Committee members, are entitled to attend meetings as observers. The CEO and other Executives are invited to attend Committee meetings, as required, however they do not participate in discussions concerning their own remuneration arrangements.

2B. Engagement of remuneration consultants

Under the Committee's charter, the Committee, or any individual member, has the authority, with the Chairperson's consent, to seek any information it requires from any employee or external party.

In accordance with the *Corporations Act 2001*, any engagement of a remuneration consultant to provide a remuneration recommendation in respect of KMP must be received and approved by the Committee. The remuneration recommendation must be accompanied by a declaration from the remuneration consultant that it was free from undue influence of KMP. During the year ended 30 June 2020, remuneration consultants were engaged to provide services to the Group, including the provision of benchmarking data for the senior executive team and Non-Executive Directors, equity incentive design and LTI target setting. The fees paid for these services were \$57,500 (2019: nil).

3 Non-Executive Directors' remuneration

3A. Current Non-Executive Director fees

The remuneration received by Non-Executive Directors for the years ended 30 June 2020 and 30 June 2019 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES \$	SUPERANNUATION BENEFITS \$	TOTAL \$
NON-EXECUTIVE DIRECTORS				
M P Chellew	2020	348,997	21,003	370,000
	2019	309,469	20,531	330,000
R M Smith	2020	184,018	17,482	201,500
	2019	168,950	16,050	185,000
E R Stein	2020	165,297	15,703	181,000
	2019	149,772	14,228	164,000
T A Sinclair	2020	165,297	15,703	181,000
	2019	149,772	14,228	164,000
R M Harding	2020	175,799	16,701	192,500
	2019	159,361	15,139	174,500
P G Etienne	2020	184,150	8,350	192,500
	2019	159,361	15,139	174,500
S L Hogg	2020	106,088	10,078	116,166
Total	2020	1,329,646	105,020	1,434,666
	2019	1,096,685	95,315	1,192,000

3B. Aggregate fee limit

The current aggregate amount of remuneration that can be paid to Non-Executive Directors is \$1,500,000 was approved by shareholders at the Company's 2018 Annual General Meeting.

For the year ended 30 June 2020, the aggregate remuneration paid to all Non-Executive Directors was \$1,434,666. This represents an increase of 20.4% compared with the year ended 30 June 2019. This is due to a new director, Samantha Hogg, joining the Board in November 2019 and an increase in Non-Executive Director and Chairman base fees and Committee membership fees in the year ended 30 June 2020.

The Board has conducted a review of the maximum aggregate fee limit for Non-Executive Directors and recommended that shareholders approve the proposed increase of the aggregate fee limit by \$400,000 to \$1,900,000. An increase in the aggregate fee limit will provide the Board with greater flexibility to implement succession planning strategies and is in line with the aggregate fee limit of comparable companies. The proposed increase in the aggregate fee limit will be presented to shareholders for their approval at the Company's 2020 Annual General Meeting.

3C. Fee structure

The fee structure (inclusive of superannuation) for the year ended 30 June 2020 is detailed in the following table:

	BOARD \$	AUDIT AND RISK COMMITTEE \$	SUSTAINABILITY COMMITTEE \$	REMUNERATION AND NOMINATION COMMITTEE \$
Chairman	370,000	34,000	25,000	25,000
Non-Executive Director	154,000	13,500	13,500	13,500

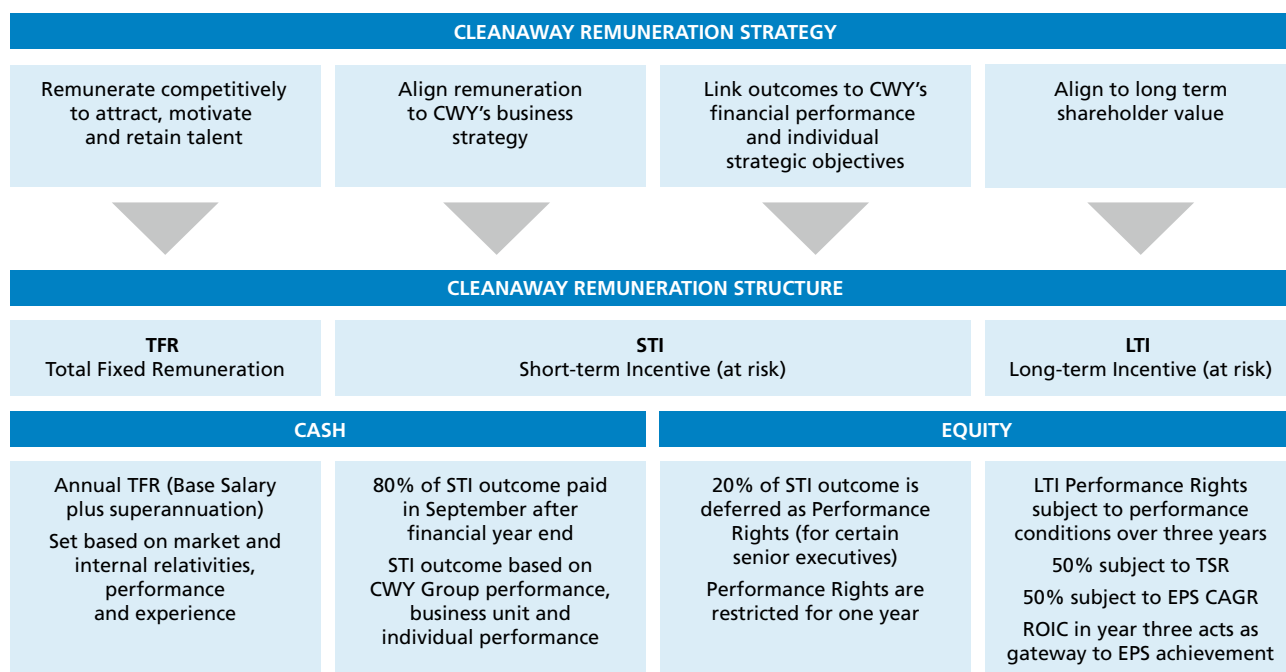
Following the review of Non-Executive Director fees undertaken during the year and in light of the overall economic climate as a result of the COVID-19 pandemic, the Board has determined that its fee structure will remain unchanged for the year ended 30 June 2021. However, the Board will continue to review Non-Executive Director fees going forward to ensure they remain competitive and at a level that will attract and retain Directors in the future.

4 Executive reward strategy and framework

4A. Strategy and framework

The Group's remuneration strategy is designed to attract, retain and motivate high calibre senior executives to ensure the sustainable success of the Group for the benefit of all stakeholders. In an environment of heightened community expectations around executive remuneration, the Board continues to review the remuneration framework annually to ensure it is fit for purpose. This ensures remuneration is competitive and fair, aligned with the achievements of Cleanaway and aligned to the creation of long-term shareholder value.

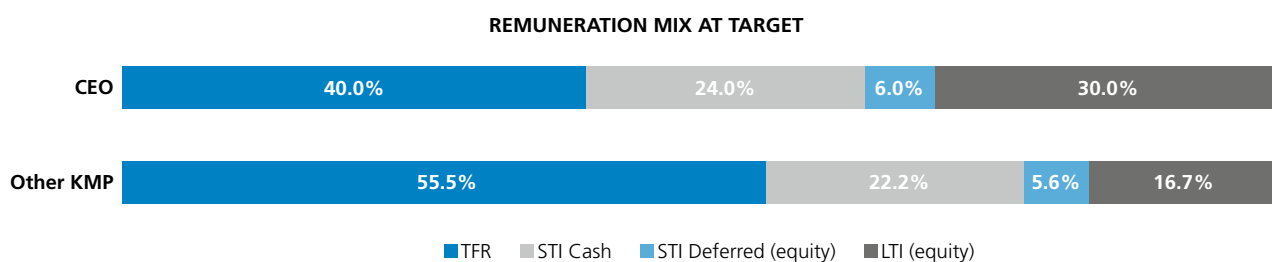
The remuneration structure is driven by these principles and comprises a mix of fixed and variable (at risk) remuneration components illustrated below.



4 Executive reward strategy and framework (continued)

4B. Remuneration elements and mix

Cleanaway aims to provide a competitive mix of remuneration components that reflect the Board's commitment to performance-based reward. For the year ended 30 June 2020, the target remuneration mix for Executive KMP remained unchanged from the previous year and is illustrated below.



4C. Shareholding guideline

The CEO and Executive Committee are encouraged to build and maintain a shareholding in the Company equivalent to:

- CEO – 100% of TFR; and
- Executive Committee – 50% of TFR.

It is expected that this shareholding will be accumulated within five years from 1 July 2015, or the initial appointment date to a senior executive role, whichever is later.

The CEO and KMP that have served since 1 July 2015 have all accumulated shareholdings in line with this guideline. The number of performance rights and ordinary shares in the Company held by each Executive KMP is set out in sections 7A, 7B and 8A.

5 Executive key management personnel – reward outcomes

5A. Remuneration received

The remuneration received or receivable by Executive KMP for the years ended 30 June 2020 and 30 June 2019 is set out in the following table:

	FINANCIAL YEAR	SALARY AND FEES \$	STI CASH \$	NON-MONETARY BENEFITS \$	SHARE-BASED PAYMENTS ¹ \$	POST EMPLOYMENT BENEFITS \$	TOTAL \$	PERFORMANCE RELATED
V Bansal ²	2020	1,447,747	339,769	90,402	709,207	21,003	2,608,128	40.2%
	2019	1,331,031	803,099	93,086	2,126,627	20,531	4,374,374	67.0%
B J Gill	2020	696,463	145,344	–	123,714	21,003	986,524	27.3%
	2019	671,750	294,222	–	511,732	20,531	1,498,235	53.8%
M Crawford	2020	590,139	126,801	–	108,975	21,003	846,918	27.8%
	2019	585,015	238,078	–	442,462	20,531	1,286,086	52.9%
T Richards	2020	471,810	100,421	–	23,836	21,003	617,070	20.1%
	2019	401,446	184,001	–	159,299	18,820	763,566	45.0%
Total	2020	3,206,159	712,335	90,402	965,732	84,012	5,058,640	
	2019	2,989,242	1,519,400	93,086	3,240,120	80,413	7,922,261	

1 Share-based payments consist of performance rights. The fair value of the performance rights is measured at the date of grant using Monte Carlo simulation and the Black Scholes model and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the performance rights recognised as an expense in each reporting period, net of any reversals for forfeited performance rights or changes in the probability of performance rights vesting. Performance rights include the expense relating to the deferred share component of STI.

2 Non-monetary benefits comprise costs associated with Mr Bansal's accommodation in Melbourne and travel between Sydney and Melbourne.

An explanation of the key remuneration elements (TFR, STI and LTI), as well as outcomes for the year ended 30 June 2020, is provided in the following sections.

5B. Total Fixed Remuneration

TFR consists of base salary plus statutory superannuation contributions. Senior executives receive a fixed remuneration package which is reviewed annually by the Committee and the Board with reference to Company and individual performance, size and complexity of the role and benchmark market data. There are no guaranteed base pay increases included in any Executive KMP contract.

FY2020 Total Fixed Remuneration outcomes

Executive KMP TFR was reviewed during the annual remuneration review with the following increases effective 1 October 2019:

- Mr Bansal's TFR was increased from \$1,375,000 to \$1,500,000;
- Mr Gill's TFR was increased from \$704,260 to \$721,867;
- Mr Crawford's TFR was increased from \$611,426 to \$629,769; and
- Mr Richards' TFR was increased from \$475,000 to \$498,750.

5C. FY2020 Short-term Incentive

For the year ended 30 June 2020, Executive KMP and other senior executives and eligible employees participated in the Group STI plan.

The table below represents the target and maximum annual STI opportunity as a percentage of TFR for Executive KMP in 2020:

	FY2020 TARGET	FY2020 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
V Bansal	75%	150%
B J Gill	50%	100%
M Crawford	50%	100%
T Richards	50%	100%

5 Executive key management personnel – reward outcomes (continued)

5C. FY2020 Short-term Incentive (continued)

Key features of the FY2020 STI plan

Purpose of the STI plan	Reward the achievement of key financial, Health, Safety & Environment (HSE) and if applicable, individual KPI metrics that are key to the sustainable success of Cleanaway.
Performance period	1 July 2019 to 30 June 2020.
Gateway	<ul style="list-style-type: none"> Achievement of a gateway based on budgeted Group EBIT for Executive KMP. The use of EBIT as a gateway performance measure aligns senior executives' focus on annual financial objectives related to their area of control. Business Unit heads and other management roles also have gateways based on financial or key strategic non-financial objectives.
Key performance metrics	<ul style="list-style-type: none"> Financial metrics: 80% weighting. HSE metrics: 20% weighting.
Financial metrics	<ul style="list-style-type: none"> Financial metrics and their respective weightings are: <ul style="list-style-type: none"> Group EBIT: 30% weighting. Group Net Revenue: 20% weighting. Included as it reflects growth in our business. Group Net Profit After Tax Return on Invested Capital (NPAT ROIC): 30% weighting. Included as it aligns with Cleanaway's focus on improving the returns from the net assets employed in our business.
Health, Safety & Environment (HSE) metrics and gateways	<ul style="list-style-type: none"> HSE metrics and their respective weightings are: <ul style="list-style-type: none"> Group Total Recordable Injury Frequency Rate (TRIFR): 15% weighting. Included as it measures the outcome of our injury prevention strategies and programs. Group Environmental Incidents: 5% weighting. Included as it measures the outcome effectiveness of our environmental risk management strategies and programs. TRIFR metric has a threshold, target and stretch level of performance with a corresponding STI outcome set out below. There is a gateway condition for the TRIFR metric, which is that there are no work-related fatalities. Group Environment Incident metric has a target level performance and outcome only, which is that there are no significant or major rated environmental incidents.
Performance outcomes	<ul style="list-style-type: none"> Once gateways are achieved, performance against the financial and health & safety metrics have the following threshold, target and stretch STI outcomes: <ul style="list-style-type: none"> Below threshold – 0%. At threshold – 75% of on-target STI opportunity. At target – 100% of on-target STI opportunity. At stretch – 200% of on-target STI opportunity.
Deferral	<ul style="list-style-type: none"> 20% of STI awarded to Executive KMP and certain senior executives is deferred for 12 months in the form of deferred performance rights. Performance rights are granted at face value determined by the five-day volume weighted average price of Cleanaway's shares on the ASX during the period 24 June to 30 June 2020. Performance rights do not attract dividends during the deferral period.

5 Executive key management personnel – reward outcomes (continued)

5C. FY2020 Short-term Incentive (continued)

FY2020 Short-term Incentive outcomes

The following table details 2020 STI scorecard measures and assessment applied to Executive KMP.

ELEMENT	MEASURE	2020 PERFORMANCE ASSESSMENT
Gateway to STI	Group EBIT – Threshold of on-target budget	Slightly above threshold
Scorecard KPIs	Group Net Revenue	Not achieved
	Group ROIC	Just below target
	Group TRIFR	Not achieved
	Group Environmental Incidents	Not achieved

The STI payments received or receivable by Executive KMP for the year ended 30 June 2020 are summarised in the following table:

		TOTAL STI \$	CASH COMPONENT ¹ \$	DEFERRED SHARE COMPONENT ¹ \$	PERCENTAGE OF TARGET STI OPPORTUNITY ²	PERCENTAGE OF MAXIMUM STI OPPORTUNITY ²
EXECUTIVE KEY MANAGEMENT PERSONNEL						
V Bansal ³	2020	424,711	339,769	84,942	38%	19%
	2019	1,003,873	803,099	200,774	97%	50%
B J Gill	2020	181,680	145,344	36,336	50%	26%
	2019	367,775	294,222	73,553	104%	54%
M Crawford	2020	158,501	126,801	31,700	50%	26%
	2019	297,597	238,078	59,519	97%	50%
T Richards	2020	125,526	100,421	25,105	50%	26%
	2019	230,000	184,001	45,999	97%	50%

1 As summarised in section 4A and 4B, Executive KMP STI are subject to 20% deferral for one year as performance rights.

2 Calculated based on total STI as a percentage of target and maximum STI opportunities respectively.

3 Due to COVID-19 related challenges faced by the Group, Mr Bansal offered to forgo his STI and the Board has agreed to reduce Mr Bansal's FY20 STI outcome by 25%.

5D. Prior year Short-term incentive awards

As participants in the FY2019 STI, Executives considered KMP during the year ended 30 June 2019 had part of their total STI award deferred as performance rights for 12 months. The vesting of these deferrals was subject to remaining employed by the Group throughout the deferral period. Accordingly, these awards have vested as follows:

- Mr Bansal's FY2019 STI deferred component performance rights vested on 30 June 2020 (85,907);
- Mr Gill's FY2019 STI deferred component performance rights vested on 30 June 2020 (31,472);
- Mr Crawford's FY2019 STI deferred component performance rights vested on 30 June 2020 (25,467); and
- Mr Richard's FY2019 STI deferred component performance rights vested on 30 June 2020 (19,682).

5E. FY2020 Long-term incentive

Offers under the Cleanaway Long-Term Incentive (LTI) Plan are made on an annual basis. During the year ended 30 June 2020, an LTI offer was made to Mr Bansal following shareholder approval at the Company's 2019 Annual General Meeting as well as to other Executive KMP including Mr Gill, Mr Crawford and Mr Richards.

The table below represents the target and maximum annual LTI opportunity as a percentage of TFR for Executive KMP:

	FY2020 TARGET	FY2020 MAXIMUM
EXECUTIVE KEY MANAGEMENT PERSONNEL		
V Bansal	75%	150%
B J Gill	30%	60%
M Crawford	30%	60%
T Richards	30%	60%

5 Executive key management personnel – reward outcomes (continued)

5E. FY2020 Long-term Incentive (continued)

The details of the FY2020 LTI offer are summarised in the table below. The number of performance rights granted to each Executive KMP for the year ended 30 June 2020 is outlined in section 7A. The number of performance rights each Executive KMP had on issue as at 30 June 2020 is outlined in section 7B.

Key features of the FY2020 LTI plan

Purpose of the LTI plan	<ul style="list-style-type: none"> Focus Executive performance on drivers of shareholder value over a three-year performance period. Align interests of Executive with those of shareholders.
Performance period	1 July 2019 to 30 June 2022.
Form of award	Performance rights.
Number of performance rights	<ul style="list-style-type: none"> Performance rights are granted at face value as a % of participant TFR. The number of rights was determined by dividing a participant's LTI opportunity by the volume weighted average price (VWAP) of Cleanaway's shares on the ASX during the period 24 June to 28 June 2019.
Performance hurdles	<p>Performance rights issued under the FY2020 plan are subject to two performance hurdles:</p> <ul style="list-style-type: none"> 50% of the performance rights will be subject to relative Total Shareholder Return (TSR) targets over the performance period. The Board considers relative TSR to be an appropriate performance measure for Executive KMP reward as it focuses on the extent to which shareholder returns (being income and capital gain) are generated relative to the performance of a comparator group of companies. The comparator group is the constituent companies that remain listed in the S&P/ASX 200 Index (excluding companies classified as mining, financial services and overseas domiciled companies) for the duration of the performance period; and 50% of the performance rights will be subject to Earnings per Share Compound Annual Growth Rate (EPS CAGR). The Board considers EPS CAGR to be an appropriate performance measure for Executive KMP reward as it represents an accurate measure of short-term and long-term sustainable profit. The Return On Invested Capital (ROIC) for year ending 30 June 2022 acts as a gateway to EPS CAGR.
Vesting date	14 days after the release of the financial results for the financial year ending 30 June 2022.
Retesting	No retesting is available. LTI performance rights are only tested once at the end of the relevant performance period and unvested rights lapse.
Dividends	LTI performance rights do not attract dividends.
Restriction on trading	Vested shares arising from performance rights may only be traded during trading windows as stipulated in the Company's Securities Trading Policy.
Forfeiture and Lapsing Conditions	Where a participant resigns or is terminated by the Company prior to the end of the performance period, the performance rights are forfeited unless the Board applies its discretion. The Board also has discretion to determine the extent of vesting in the event of a change of control, or where a participant dies, becomes permanently disabled, retires or is made redundant. Performance rights lapse when performance hurdles are not met.
Number of performance rights remaining on issue as at 30 June 2020	2,264,786

5 Executive key management personnel – reward outcomes (continued)

5E. FY2020 Long-term Incentive (continued)

FY2020 LTI performance hurdle vesting conditions

Performance rights issued under the FY2020 plan are subject to two performance measures with the following performance vesting schedules:

Relative TSR performance measured over three years from 1 July 2019 to 30 June 2022	Cleanaway's relative TSR rank compared with the TSR comparator group	Percentage of TSR performance rights that vest
	Less than 50 th percentile	Nil
	Equal to 50 th percentile	50%
	Greater than 50 th percentile and up to (and including) 75 th percentile	Straight line pro rata vesting between 50% and 100%
	Above 75 th percentile	100%
EPS CAGR performance measured over three years from 1 July 2019 to 30 June 2022	Gateway: Performance Rights under EPS CAGR will only vest if ROIC is at least 5.8% or more for the Financial Year ending 30 June 2022	
	Cleanaway EPS CAGR	Percentage of EPS CAGR performance rights that vest
	Less than 9%	Nil
	At 9%	20%
	Greater than 9% and up to (and including) 10.5%	Straight line pro rata vesting between 20% and 50%
	Greater than 10.5% and up to (and including) 12.5%	Straight line pro rata vesting between 50% and 100%
	Above 12.5%	100%

5 Executive key management personnel – reward outcomes (continued)

5F. Prior Long-term Incentive awards

The following table outlines the terms of prior LTI offers outstanding:

	FY2018 LTI ¹	FY2019 LTI ¹
Performance period	Three years: 1 July 2017 to 30 June 2020	Three years: 1 July 2018 to 30 June 2021
Overview	Performance rights vesting subject to: <ul style="list-style-type: none"> Relative TSR (50%) ROIC (25%) EPS CAGR (25%) 	Performance rights vesting subject to: <ul style="list-style-type: none"> Relative TSR (50%) ROIC (25%) EPS CAGR (25%)
Relative TSR performance hurdles	TSR Ranking against the constituents of the S&P/ASX200 Industrial Sector Index: <ul style="list-style-type: none"> Below 50th percentile – 0% vesting At the 50th percentile – 50% vesting 50th to 75th percentile – straight line vesting between 50% and 100% Above 75th percentile – 100% vesting 	
ROIC performance hurdles	ROIC: <ul style="list-style-type: none"> Below 5.25% – 0% vesting 5.25% – 20% vesting 5.25%–5.75% – straight line vesting between 20% and 50% 5.75%–6.5% – straight line vesting between 50% and 100% 6.5% – 100% vesting 	ROIC: <ul style="list-style-type: none"> Below 6.25% – 0% vesting 6.25% – 20% vesting 6.25%–6.75% – straight line vesting between 20% and 50% 6.75%–7.25% – straight line vesting between 50% and 100% 7.25% – 100% vesting
EPS CAGR performance hurdles	EPS CAGR: <ul style="list-style-type: none"> Below 7.5% – 0% vesting At 7.5% – 20% vesting 7.5%–10% – straight line vesting between 20% and 50% 10%–12.5% – straight line vesting between 50% and 100% At or above 12.5% – 100% vesting 	EPS CAGR: <ul style="list-style-type: none"> Below 13% – 0% vesting At 13% – 20% vesting 13%–15% – straight line vesting between 20% and 50% 15%–18% – straight line vesting between 50% and 100% At or above 18% – 100% vesting
Number of performance rights remaining on issue at 30 June 2020	3,128,655	3,126,207

¹ As a share-based payment, the portion of the performance rights relating to market-based conditions were valued for accounting purposes using the Monte Carlo simulation method and the portion relating to EPS or ROIC using the Black Scholes Model. Grant dates and fair values are contained in note 36 to the Consolidated Financial Statements.

5 Executive key management personnel – reward outcomes (continued)

5F. Prior Long-term Incentive awards (continued)

Prior Long-term Incentive outcomes

FY2018 LTI

The FY2018 LTI was tested as at 30 June 2020. Based on Cleanaway's relative TSR, ROIC and EPS performance over the performance period from 1 July 2017 to 30 June 2020, the offer will partially vest – with the relative TSR tranche vesting at 100%, the ROIC tranche vesting at 39.2% and the EPS CAGR tranche vesting at 100%.

Executive KMP

Mr Bansal, Mr Gill and Mr Crawford all participated in the FY2018 LTI. Therefore, the following performance rights will vest:

- Mr Bansal: 1,166,857 of his FY18 LTI rights will vest;
- Mr Gill: 239,099 of his FY18 LTI rights will vest; and
- Mr Crawford: 214,167 of his FY18 LTI rights will vest.

5G. FY2019-2020 Toxfree Integration Incentive

After the Company completed the acquisition of Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited) on 11 May 2018 a one-off Toxfree Integration Incentive (TII) plan was introduced. The purpose of the plan was to reward delivery of the benefits from the Toxfree acquisition beyond the internal business case. The plan had a threshold level of EBITDA performance for FY20 that was required to be achieved. Whilst the synergies arising from the Toxfree acquisition have exceeded the target of \$35 million, the FY20 EBITDA performance condition for the plan was not achieved due to the impact of COVID-19 and other factors. Accordingly, all rights issued under the plan will lapse.

The number of performance rights remaining on issue under the TII plan at 30 June 2020 was 1,574,769.

6 Executive key management personnel – contract terms

6A. Current Executive KMP

All Executive KMP are employed on the basis of an Executive Service Agreement (Agreement) that contains a range of terms and conditions including remuneration and other benefits, notice periods and termination benefits. Notice periods for Executive KMP are as follows:

EXECUTIVE SERVICE AGREEMENTS	TERM OF AGREEMENT	NOTICE PERIOD BY EXECUTIVE	NOTICE PERIOD BY CLEANAWAY
EXECUTIVE KEY MANAGEMENT PERSONNEL			
V Bansal	Open	12 months	12 months
B J Gill	Open	12 months	12 months
M Crawford	Open	12 months	12 months
T Richards	Open	6 months	6 months

Any payment in lieu of notice and/or redundancy is not to exceed average annual base salary as defined by the *Corporations Act 2001* over the previous three years.

The Company may terminate Agreements immediately for cause, in which case the Executive is not entitled to any payment in lieu of notice or contractual compensation.

The Agreements also provide for an Executive's participation in the STI and LTI plans subject to Board approval of their eligibility and in accordance with the terms and conditions of the respective plans.

In addition, Mr Bansal was entitled to accommodation support, with the Company covering the costs associated with Mr Bansal's accommodation in Melbourne until the end of 2022. The cost to the Group in providing this support to Mr Bansal for the year ended 30 June 2020 is provided in section 5A.

7 Executive key management personnel – additional remuneration tables

7A. Performance rights granted and movement during the year

The aggregate number of performance rights in the Company that were granted as compensation, exercised or lapsed in relation to each Executive KMP for the year ended 30 June 2020 is set out in the following table:

YEAR ENDED 30 JUNE 2020	BALANCE AT 1 JULY 2019 NUMBER	RIGHTS GRANTED DURING THE YEAR ¹ NUMBER	VALUE OF RIGHTS GRANTED DURING THE YEAR ² \$	RIGHTS EXERCISED DURING THE YEAR NUMBER	VALUE OF RIGHTS EXERCISED DURING THE YEAR ³ \$	LAPSED/ CANCELLED DURING THE YEAR NUMBER	BALANCE AT 30 JUNE 2020 NUMBER
EXECUTIVE KEY MANAGEMENT PERSONNEL							
V Bansal	5,443,633	1,048,638	1,302,970	(2,246,290)	4,629,010	(310,563)	3,935,418
B J Gill	1,182,094	216,795	278,503	(485,711)	1,010,632	(63,637)	849,541
M Crawford	1,048,844	187,146	239,282	(434,780)	904,675	(56,958)	744,252
T Richards	236,596	147,725	188,599	–	–	–	384,321

1 Performance rights were granted under the FY2020 LTI Offer and FY2019 STI deferral on 30 October 2019.

2 The fair value of performance rights granted to Executive KMP was calculated using Monte Carlo simulation and the Black Scholes Model and is \$0.65 to \$1.72 per Performance Right under the FY2020 LTI Offer.

3 Calculated as the market value of Cleanaway shares on the date of exercise.

7B. Performance rights as at 30 June 2020

The number of performance rights as at 30 June 2020 by plan for the Executive KMP is set out in the following table:

ISSUED	2019 STI	2018 LTI	2019 LTI	2020 LTI	2019 TIIP	BALANCE AT 30 JUNE 2020	VESTED & EXERCISABLE AT THE END OF THE YEAR
EXECUTIVE KEY MANAGEMENT PERSONNEL							
V Bansal	85,907	1,376,011	1,208,615	962,731	302,154	3,935,418	85,907
B J Gill	31,472	281,956	247,616	185,323	103,174	849,541	31,472
M Crawford	25,467	252,556	214,976	161,679	89,574	744,252	25,467
T Richards	19,682	–	167,009	128,043	69,587	384,321	19,682

No terms of performance rights have been altered by the Group during the reporting period. The Board has not previously exercised its discretion to allow the early vesting of any performance rights under any of the incentive plans.

7C. Securities trading policy

The Company prohibits Executives from entering into any hedging arrangements or acquiring financial products (such as equity swaps, caps and collars or other hedging products) over unvested performance rights which have the effect of reducing or limiting exposure to risks associated with the market value of the Company's securities.

No Directors or Executive KMP may directly or indirectly enter into any margin loan facility against the Company's securities unless the prior written consent of the Chairman of the Board is obtained.

Remuneration Report (Audited)

7 Executive key management personnel – additional remuneration tables (continued)

7D. Company performance

The following table shows Cleanaway's annual performance over the last five years. For further explanation of details of Cleanaway's performance, see the Operating and Financial review section of Director's Report.

	FY2016	FY2017	FY2018	FY2019	FY2020
Net Revenue – \$'M ¹	1,320.7	1,350.7	1,564.9	2,109.1	2,100.1
Profit attributable to ordinary equity holders – \$'M ²	44.8	72.5	103.5	120.4	112.9
EPS – cents ³	2.8	4.4	5.6	5.9	5.5
Underlying EPS – cents ³	3.9	4.7	5.3	6.9	7.5
Dividends per share – cents	1.70	2.10	2.50	3.55	4.10
Shares on issue – number	1,586,344,605	1,592,889,317	2,036,684,232	2,044,507,391	2,053,944,831
Market capitalisation – \$'M	1,269.1	2,198.2	3,442.0	4,763.7	4,518.7
Share price at 30 June – \$	0.80	1.38	1.69	2.33	2.20
Change in share price – \$	0.03	0.58	0.31	0.64	(0.13)

1 Net Revenue is Revenue excluding landfill levies (FY2016: \$134.4 million; FY2017: \$103.7 million; FY2018: \$149.4 million; FY2019: \$174.0 million; and FY2020: \$232.0 million).

2 Includes underlying adjustments after tax (FY2016: \$18.5 million; FY2017: \$5.0 million; FY2018: \$(5.5) million; FY2019: \$20.1 million; and FY2020: \$37.4 million).

3 The calculation of EPS for comparative periods prior to FY2018 were adjusted to reflect the bonus element in the non-renounceable entitlement offer which occurred during December 2017 and January 2018 and Underlying EPS excludes the impact of AASB 16 in FY2020.

8 Shareholdings and other related party transactions

8A. Shareholdings

The movement for the year ended 30 June 2020 in the number of ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties, is detailed in the following table. Directors increased shareholdings during the course of the year:

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
NON-EXECUTIVE DIRECTOR				
M P Chellew	139,548	–	17,000	156,548
R M Smith	103,720	–	20,000	123,720
E R Stein	113,568	–	12,120	125,688
T A Sinclair	49,417	–	–	49,417
R M Harding	16,109	–	13,587	29,696
P G Etienne	37,756	–	44,959	82,715
S L Hogg	–	–	–	–
EXECUTIVE KEY MANAGEMENT PERSONNEL				
V Bansal	3,172,554	2,246,290	–	5,418,844
B J Gill	557,216	485,711	(200,000)	842,927
M Crawford	386,208	434,780	(320,988)	500,000
T Richards	–	–	–	–

8B. Loans to Executive key management personnel

There were no loans to Executive KMP made during the period and no outstanding balances at reporting date.

8C. Other transactions and balances with Executive key management personnel and their related parties

Some of the Directors hold, or have previously held, positions in companies with which Cleanaway has commercial relationships which are based on normal terms and conditions on an arm's length basis. Transactions with entities where the relationship is limited to a common Non-Executive Directorship, including any Chairperson roles, are not considered related party transactions. The Board has assessed all of the relationships between the Group and companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interest of the Group.

Auditor's Independence Declaration



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Auditor's Independence Declaration to the Directors of Cleanaway Waste Management Limited

As lead auditor for the audit of Cleanaway Waste Management Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cleanaway Waste Management Limited and the entities it controlled during the financial year.

Ernst & Young

Brett Croft
Partner

25 August 2020

Consolidated Income Statement

For the year ended 30 June 2020

	NOTES	2020 \$'M	2019 ¹ \$'M
Revenue	6	2,332.1	2,283.1
Other income	7	34.6	7.0
Labour related expenses		(861.1)	(846.9)
Collection, recycling and waste disposal expenses		(649.8)	(622.8)
Fleet operating expenses		(228.0)	(233.0)
Property expenses		(45.7)	(71.6)
Other expenses		(94.0)	(80.6)
Loss on sale of investments		–	(2.2)
Gain on loss of control of subsidiary		1.1	–
Share of (losses)/profits from equity accounted investments	24	(2.1)	0.7
Depreciation and amortisation expense		(262.6)	(220.8)
Write-off of plant and equipment		(19.6)	–
Profit from operations		204.9	212.9
Net finance costs	8	(49.7)	(46.9)
Profit before income tax		155.2	166.0
Income tax expense	9	(42.6)	(45.5)
Profit after income tax		112.6	120.5
Attributable to:			
Ordinary equity holders		112.9	120.4
Non-controlling interest		(0.3)	0.1
Profit after income tax		112.6	120.5

1 Cleanaway applied the modified retrospective approach on adoption of AASB 16 Leases on 1 July 2019, as such comparatives have not been restated.

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	NOTES	2020 \$'M	2019 \$'M
Profit after income tax		112.6	120.5
Other comprehensive income (to be reclassified to profit or loss in subsequent periods)			
Net loss on cross-currency interest rate swaps (net of tax)	18	(0.1)	–
Net comprehensive income recognised directly in equity		(0.1)	–
Total comprehensive income for the year		112.5	120.5
Attributable to:			
Ordinary equity holders		112.8	120.4
Non-controlling interest		(0.3)	0.1
Total comprehensive income for the year		112.5	120.5
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	10	5.5	5.9
Diluted earnings per share (cents)	10	5.5	5.9

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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OVERVIEW

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BUSINESS
REVIEW

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SUSTAINABILITY

4
CORPORATE
INFORMATION

5
FINANCIAL
REPORT

6
OTHER
INFORMATION

Consolidated Balance Sheet

As at 30 June 2020

	NOTES	2020 \$'M	2019 ¹ \$'M
Assets			
Current assets			
Cash and cash equivalents	11	79.8	56.2
Trade and other receivables	12	348.1	382.0
Inventories	13	19.4	19.9
Assets held for sale	15	–	8.8
Other assets	25	23.0	21.6
Total current assets		470.3	488.5
Non-current assets			
Property, plant and equipment	21	1,176.1	1,232.0
Right-of-use assets	22	416.7	–
Intangible assets	23	2,294.6	2,324.9
Equity accounted investments	24	34.5	3.8
Net deferred tax assets	9	64.2	62.7
Derivative financial instruments	33	30.0	–
Other assets	25	23.9	17.3
Total non-current assets		4,040.0	3,640.7
Total assets		4,510.3	4,129.2
Liabilities			
Current liabilities			
Trade and other payables	14	271.0	257.5
Income tax payable	9	6.5	17.7
Interest-bearing liabilities	16	69.6	17.1
Employee entitlements	26	71.2	66.9
Provisions	27	66.7	86.1
Other liabilities	28	34.9	32.2
Total current liabilities		519.9	477.5
Non-current liabilities			
Interest-bearing liabilities	16	995.8	697.6
Employee entitlements	26	7.2	5.1
Provisions	27	287.7	295.8
Other liabilities	28	128.7	116.6
Total non-current liabilities		1,419.4	1,115.1
Total liabilities		1,939.3	1,592.6
Net assets		2,571.0	2,536.6
Equity			
Issued capital	17	2,688.7	2,678.2
Reserves	18	23.9	24.0
Retained earnings		(142.6)	(167.9)
Parent entity interest		2,570.0	2,534.3
Non-controlling interest		1.0	2.3
Total equity		2,571.0	2,536.6

1 Cleanaway applied the modified retrospective approach on adoption of AASB 16 Leases on 1 July 2019, as such comparatives have not been restated.

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	PARENT ENTITY INTEREST				NON-CONTROLLING INTEREST \$'M	TOTAL EQUITY \$'M
	ORDINARY SHARES \$'M	RESERVES \$'M	RETAINED EARNINGS \$'M	TOTAL \$'M		
At 1 July 2019	2,678.2	24.0	(167.9)	2,534.3	2.3	2,536.6
Adjustment on adoption of AASB 16	–	–	(7.6)	(7.6)	–	(7.6)
Adjusted balance at 1 July 2019	2,678.2	24.0	(175.5)	2,526.7	2.3	2,529.0
Profit for period	–	–	112.9	112.9	(0.3)	112.6
Other comprehensive income	–	(0.1)	–	(0.1)	–	(0.1)
Total comprehensive income for the year	–	(0.1)	112.9	112.8	(0.3)	112.5
Loss of control of subsidiary	–	–	–	–	(0.6)	(0.6)
Acquisition of non-controlling interests	–	–	(0.1)	(0.1)	(0.2)	(0.3)
Dividends reinvested/(paid)	10.5	–	(79.9)	(69.4)	(0.2)	(69.6)
Balance at 30 June 2020	2,688.7	23.9	(142.6)	2,570.0	1.0	2,571.0
At 1 July 2018	2,671.0	51.9	(236.5)	2,486.4	–	2,486.4
Adjustment for change in accounting policy	–	(35.5)	10.4	(25.1)	–	(25.1)
Restated balance at 1 July 2018	2,671.0	16.4	(226.1)	2,461.3	–	2,461.3
Profit for period	–	–	120.4	120.4	0.1	120.5
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	120.4	120.4	0.1	120.5
Acquisition of non-controlling interest	–	–	–	–	2.2	2.2
Share-based payment expense	–	7.6	–	7.6	–	7.6
Dividends reinvested/(paid)	7.2	–	(62.2)	(55.0)	–	(55.0)
Balance at 30 June 2019	2,678.2	24.0	(167.9)	2,534.3	2.3	2,536.6

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	NOTES	2020 \$'M	2019 ¹ \$'M
Cash flows from operating activities			
Profit before income tax		155.2	166.0
Adjustments for:			
Depreciation and amortisation expense		262.6	220.8
Write-off of plant and equipment		19.6	–
Net finance costs		49.7	46.9
Share-based payment expense		–	5.5
Remediation and rectification (benefit)/expense		(0.2)	9.1
Share of losses/(profits) from equity accounted investments		2.1	(0.7)
Net gain on disposal of property, plant and equipment		(4.6)	(3.2)
Net gain on disposal of assets held for sale		(8.1)	–
Net loss on disposal of investments		–	2.2
Gain on loss of control of subsidiary		(1.1)	–
Other non-cash items		0.3	(0.5)
Net cash from operating activities before changes in assets and liabilities		475.5	446.1
Changes in assets and liabilities:			
Decrease/(increase) in receivables		28.5	(10.4)
Increase in other assets		(1.7)	(16.1)
(Increase)/decrease in inventories		(0.2)	4.2
Increase in payables		20.7	18.6
Increase/(decrease) in employee entitlements		5.4	(8.9)
(Decrease)/increase in other liabilities		(0.4)	0.8
Decrease in provisions		(43.6)	(35.4)
Cash generated from operating activities		484.2	398.9
Net interest paid		(33.2)	(29.5)
Income taxes paid		(49.5)	(18.6)
Net cash from operating activities		401.5	350.8
Cash flows from investing activities			
Payments for property, plant and equipment		(200.2)	(186.6)
Payments for intangible assets		(9.6)	(5.9)
Payments for purchase of businesses (net of cash acquired)		(84.8)	(44.2)
Proceeds from disposal of property, plant and equipment		24.3	11.2
Investment in equity accounted investments		(12.0)	(1.5)
Proceeds on divestment of equity accounted investments		–	6.1
Proceeds on disposal of non-controlling interests		0.1	–
Proceeds on loss of control of subsidiary (net of cash derecognised)		2.0	–
Dividends received from equity accounted investments		1.2	4.0
Loans to equity accounted investments		(3.2)	–
Loans to customers repaid		–	0.4
Net cash used in investing activities		(282.2)	(216.5)
Cash flows from financing activities			
Proceeds from borrowings		397.6	95.3
Repayment of borrowings		(365.8)	(154.0)
Repayment of lease liabilities		(55.2)	(15.2)
Payment of debt and equity raising costs		(2.7)	(1.2)
Payment of dividends to ordinary equity holders		(69.4)	(55.0)
Payment of dividends to non-controlling interests		(0.2)	–
Net cash used in financing activities		(95.7)	(130.1)
Net increase in cash and cash equivalents		23.6	4.2
Cash and cash equivalents at the beginning of the year		56.2	52.0
Cash and cash equivalents at the end of the year	11	79.8	56.2

¹ Cleanaway applied the modified retrospective approach on adoption of AASB 16 Leases on 1 July 2019, as such comparatives have not been restated.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

1 Corporate information

Cleanaway Waste Management Limited and its subsidiaries (Cleanaway or the Group) is domiciled and incorporated in Australia. The Financial Report of Cleanaway Waste Management Limited consists of the Consolidated Financial Statements of the Group and the Group's interests in equity accounted investments.

The Consolidated Financial Statements of the Group for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 25 August 2020.

2 Statement of compliance

The Financial Report is a general purpose financial report which has been prepared on a going concern basis and in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

3 Basis of preparation

The Financial Report has been prepared on the basis of historical cost, except for the revaluation of derivative financial instruments. Cost is based on the fair value of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the Financial Report are consistent with those adopted and applied in the corresponding period, except for the change in accounting policy set out in note 41 and the impact of new and revised standards set out in note 40(u).

At 30 June 2020 the Group had a net current asset deficiency of \$49.6 million (30 June 2019: net current asset surplus of \$11.0 million). The net current asset deficiency arises mainly from the implementation of AASB 16 *Leases*. Current lease liabilities of \$46.8 million related to operating leases not previously recognised on balance sheet are now included on balance sheet in current interest-bearing liabilities, however the related right-of-use asset is classified as a non-current asset. The Group has sufficient unutilised committed debt facilities at 30 June 2020 and therefore the Directors are satisfied that the Group can meet its financial obligations as and when they fall due.

The Financial Report is presented in Australian dollars and all values are rounded to the nearest hundred thousand dollars, except when otherwise indicated. This presentation is consistent with the requirements of Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements.

Refer to note 40 for a summary of the Group's significant accounting policies.

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4 Critical accounting estimates and judgements

The preparation of the Financial Report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may vary from these estimates under different assumptions and conditions. Significant accounting estimates and judgements in the Financial Report are:

(a) Recoverable amount of property, plant and equipment, right-of-use assets and intangible assets

Each asset or cash generating unit (CGU) is evaluated every reporting period to determine whether there are any indications of impairment or reversal of previously recognised impairment losses. If any such indication exists, a formal estimate of recoverable amount is performed and where the carrying amount exceeds the recoverable amount, an impairment loss is recognised. Goodwill and other intangible assets with an indefinite life are tested for impairment on an annual basis, irrespective of whether there is an indication of impairment.

The recoverable amount of each CGU is determined based on value-in-use calculations which require the use of estimates and assumptions. The calculations use cash flow projections based on forecasts approved by management. The discounted cash flows of the CGUs, other than those associated with landfill assets, are determined using five-year forecasted cash flows and a terminal value calculation. These cash flows include estimates and assumptions related to revenue growth, capital expenditure, terminal value growth rates, commodity prices and expense profile.

Cash flows from the landfill assets include estimates and assumptions in relation to: waste volumes over the life of the landfill, cell development capital expenditure, waste mix, revenue and growth, expense profile, and value and timing of land sales.

These estimates and assumptions are subject to risk and uncertainty; such that there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the assets may be impaired, or a previous impairment charge reversed. Any potential impact arising from an impairment or reversal of an impairment would be recorded in the Consolidated Income Statement.

Further details on the Group's impairment assessment and policy are disclosed in note 23 and note 40(e).

(b) Landfill asset depreciation

Landfill assets comprise the acquisition of landfill land, airspace, cell development costs, site infrastructure and landfill site improvement costs, and remediation assets. Landfill airspace, cell development costs and remediation assets are depreciated on a usage basis. This depreciation method requires significant estimation of compaction rates, airspace and future costs. Therefore, changes in these estimates will cause changes in depreciation rates. The depreciation rates are calculated based on the most up to date accounting estimates and applied prospectively.

Further details on the Group's landfill asset accounting policy are disclosed in note 40(j).

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4 Critical accounting estimates and judgements (continued)

(c) Lease terms for right-of-use assets and lease liabilities

Extension and termination options are included in lease arrangements across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of Cleanaway.

In determining the lease term, the Group has applied judgement over the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. All property leases on which a prized asset is situated are considered reasonably certain to exercise an extension option. Further details on the Group's lease accounting policy are disclosed in note 40(n).

(d) Provision for remediation and rectification

The Group's remediation and rectification provisions related to landfills are calculated based on the present value of the future cash outflows expected to be incurred to remediate landfills which will include the costs of capping the landfill site, remediation and rectification costs and post-closure monitoring activities. The measurement of the provisions requires significant estimates and assumptions such as: discount rate, inflation rate, assessing the requirements of the Environment Protection Authority (EPA) or other government authorities, the timing, extent and costs of activity required and the area of the landfill to be remediated or rectified, which is determined by volumetric aerial surveys. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provisions for remediation and rectification for each landfill site are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for remediating open sites, still accepting waste, are recognised in the Consolidated Balance Sheet by adjusting both the remediation asset and provision. For closed sites, changes to the estimated costs are recognised in the Consolidated Income Statement. Changes to estimated costs related to rectification provisions are recognised in the Consolidated Income Statement.

Remediation and makegood provisions in relation to the Group's owned and leased industrial properties are reviewed periodically and updated based on facts and circumstances known at the time, applying certain assumptions about the risk rating related to the relevant site and the timeframe of when the site may require remediation. Changes in estimates related to removing structures on leased sites and remediating those sites are recognised in the Consolidated Balance Sheet by adjusting the leasehold improvement asset and the remediation provision. For closed industrial sites or where subsurface remediation is identified, changes to the estimated costs are recognised in the Consolidated Income Statement.

Further details on the Group's remediation accounting policy are disclosed in note 40(o).

(e) Taxation

Deferred tax assets, including those arising from tax losses not recouped, capital losses and temporary differences, are recognised in the Consolidated Balance Sheet, only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Consolidated Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Income Statement.

Further details on the Group's taxation accounting policy are disclosed in note 40(d).

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5 Segment reporting

Operating segments are identified on the basis of how the Chief Operating Decision Maker reviews internal reports about components of the Group in order to assess the performance and allocation of resources to a particular segment. Information reported to the Group's Chief Executive Officer (Chief Operating Decision Maker) for the purpose of performance assessment and resource allocation is specifically focused on the following segments:

- **Solid Waste Services**

Comprises the collection, recovery and disposal of all types of solid waste, including putrescible waste, inert waste, household waste and recovered waste. Waste streams are generally processed through our resource recovery and recycling facilities, transfer stations and landfills.

- **Industrial & Waste Services**

Comprises a wide variety of services provided to the Infrastructure, Industrial and Resources markets. Services include drain cleaning, non-destructive digging, vacuum loading, high pressure cleaning, pipeline maintenance and CCTV.

- **Liquid Waste & Health Services**

Liquid Waste comprises the collection, treatment, processing, refining and recycling and destruction of hazardous and non-hazardous liquids, hydrocarbons and chemical waste, specialised product destruction, hazardous waste and e-waste.

Health Services comprises the provision of services to the health sector for the safe treatment and disposal of health-related waste which includes sharps management, medical waste, pharmaceutical waste, healthcare hazardous waste and quarantine waste.

Unallocated items include the Group's share of profits from equity accounted investments and corporate balances. Corporate balances relate to shared services functions that are not directly attributable to an identifiable segment. These functions include management, finance, legal, information technology, marketing, and human resources that provide support to the other segments identified above.

No operating segments have been aggregated to form the reportable segments.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group has the following allocation policies:

- Sales between segments are on normal commercial terms; and
- Corporate charges are allocated where possible based on estimated usage of corporate resources.

Segment assets and liabilities have not been disclosed as these are not provided to the Chief Operating Decision Maker. This information is provided at a Group level only.

Net finance costs are not allocated to individual segments as the underlying instruments are managed on a Group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a Group basis.

Inter-segment revenues are eliminated on consolidation.

During the year ended 30 June 2020 the Chief Operating Decision Maker has reviewed internal reports about the Group and operating segments which included information prepared applying the previous accounting standard AASB 117 *Leases*. This information was considered relevant when comparing current year results to the comparative information. For this reason this information has also been provided in the segment information and is described as "Excluding the impact of AASB 16".

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5 Segment reporting (continued)

	OPERATING SEGMENTS				TOTAL OPERATING SEGMENTS \$'M	UNALLOCATED		GROUP \$'M
	SOLID WASTE SERVICES \$'M	INDUSTRIAL & WASTE SERVICES \$'M	LIQUID WASTE & HEALTH SERVICES \$'M	ELIMINA- TIONS \$'M		EQUITY ACCOUNTED INVEST- MENTS \$'M	CORPORATE \$'M	
2020								
Revenue								
Revenue from customers	1,549.0	300.7	450.1	–	2,299.8	–	–	2,299.8
Other revenue	11.8	–	20.5	–	32.3	–	–	32.3
Inter-segment sales	44.0	12.7	43.0	(99.7)	–	–	–	–
Total revenue	1,604.8	313.4	513.6	(99.7)	2,332.1	–	–	2,332.1
Underlying EBITDA	388.3	45.9	106.3	–	540.5	(2.1)	(22.7)	515.7
Depreciation and amortisation	(175.6)	(24.5)	(42.0)	–	(242.1)	–	(17.0)	(259.1)
Underlying EBIT	212.7	21.4	64.3	–	298.4	(2.1)	(39.7)	256.6
Material recycling facility fire								(14.6)
Acquisition and integration costs								(36.3)
Gain on sale of property								8.1
Employee entitlements								(8.0)
Change in discount rate on provisions								(2.0)
Gain on loss of control of subsidiary								1.1
Profit from operations (EBIT)								204.9
Net finance costs								(49.7)
Profit before income tax								155.2
Income tax expense								(42.6)
Profit after income tax								112.6
Capital expenditure:								
Property, plant and equipment	143.8	20.0	34.6	–	198.4	–	1.8	200.2
Intangible assets	2.6	0.1	–	–	2.7	–	6.9	9.6

Excluding the impact of AASB 16

	OPERATING SEGMENTS				TOTAL OPERATING SEGMENTS \$'M	UNALLOCATED		GROUP \$'M
	SOLID WASTE SERVICES \$'M	INDUSTRIAL & WASTE SERVICES \$'M	LIQUID WASTE & HEALTH SERVICES \$'M	ELIMINA- TIONS \$'M		EQUITY ACCOUNTED INVEST- MENTS \$'M	CORPORATE \$'M	
2020								
Revenue								
Revenue from customers	1,549.0	300.7	450.1	–	2,299.8	–	–	2,299.8
Other revenue	11.8	–	20.5	–	32.3	–	–	32.3
Inter-segment sales	44.0	12.7	43.0	(99.7)	–	–	–	–
Total revenue	1,604.8	313.4	513.6	(99.7)	2,332.1	–	–	2,332.1
Underlying EBITDA	358.1	44.9	97.9	–	500.9	(2.1)	(25.8)	473.0
Depreciation and amortisation	(148.9)	(23.5)	(34.8)	–	(207.2)	–	(13.9)	(221.1)
Underlying EBIT	209.2	21.4	63.1	–	293.7	(2.1)	(39.7)	251.9
Material recycling facility fire								(14.6)
Acquisition and integration costs								(36.3)
Gain on sale of property								8.1
Employee entitlements								(8.0)
Change in discount rate on provisions								(2.0)
Gain on loss of control of subsidiary								1.1
Profit from operations (EBIT)								200.2
Net finance costs								(40.9)
Profit before income tax								159.3
Income tax expense								(43.8)
Profit after income tax								115.5

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5 Segment reporting (continued)

	OPERATING SEGMENTS				TOTAL OPERATING SEGMENTS \$'M	UNALLOCATED		GROUP \$'M
	SOLID WASTE SERVICES \$'M	INDUSTRIAL & WASTE SERVICES \$'M	LIQUID WASTE & HEALTH SERVICES \$'M	ELIMINA- TIONS \$'M		EQUITY ACCOUNTED INVEST- MENTS \$'M	CORPORATE \$'M	
2019								
Revenue								
Revenue from customers	1,490.6	324.6	434.2	–	2,249.4	–	–	2,249.4
Other revenue	12.7	0.2	20.8	–	33.7	–	–	33.7
Inter-segment sales	33.0	17.1	40.0	(90.1)	–	–	–	–
Total revenue	1,536.3	341.9	495.0	(90.1)	2,283.1	–	–	2,283.1
Underlying EBITDA	352.8	46.6	86.9	–	486.3	0.7	(25.4)	461.6
Depreciation and amortisation	(148.8)	(24.1)	(32.9)	–	(205.8)	–	(15.0)	(220.8)
Underlying EBIT	204.0	22.5	54.0	–	280.5	0.7	(40.4)	240.8
Loss on sale of investments								(2.2)
Acquisition and integration costs								(16.6)
Change in discount rate on remediation provisions								(9.1)
Profit from operations (EBIT)								212.9
Net finance costs								(46.9)
Profit before income tax								166.0
Income tax expense								(45.5)
Profit after income tax								120.5
Capital expenditure:								
Property, plant and equipment	151.3	10.1	21.8	–	183.2	–	3.4	186.6
Intangible assets	1.0	0.1	0.1	–	1.2	–	4.7	5.9

6 Revenue

	2020 \$'M	2019 \$'M
Revenue from customers ¹	2,299.8	2,249.4
Other revenue	32.3	33.7
	2,332.1	2,283.1

¹ Refer to note 5 for disaggregation of revenue.

The Group has a right to invoice all revenue to date, except those amounts disclosed as contract assets in note 12. The Group has chosen not to disclose the amount of remaining performance obligations under contracts, where it has a right to invoice as services are performed. Remaining performance obligations for work which is priced on a fixed basis where the right to invoice is conditional on the work being completed are set out in note 12.

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7 Other income

	2020 \$'M	2019 \$'M
Insurance recoveries	20.8	–
Gain on disposal of property, plant and equipment	12.7	3.2
Other	1.1	3.8
	34.6	7.0

8 Net finance costs

	2020 \$'M	2019 \$'M
Finance costs		
Interest on borrowings	(19.7)	(24.6)
Interest on leases ¹	(15.7)	(5.8)
Amortisation of capitalised borrowing costs	(4.6)	(2.9)
Unwind of discount on provisions and other liabilities	(10.5)	(14.3)
Fair value loss on USPP Notes	(34.0)	–
Fair value gain on cross currency interest rate swaps (CCIRS) ²	33.4	–
	(51.1)	(47.6)
Finance income		
Interest revenue	1.4	0.7
	1.4	0.7
Net finance costs	(49.7)	(46.9)

1 Interest on leases in the year ended 30 June 2019 relates to finance leases as defined in AASB 117 *Leases*. In the year ended 30 June 2020 interest on lease liabilities also includes leases which were previously classified as operating leases as defined in AASB 117 *Leases* which have been brought on balance sheet on 1 July 2019 on adoption of AASB 16 *Leases*. Refer to note 41 for further transition details.

2 Fair value gain on CCIRS includes \$33.4 million (2019: nil) of net gains relating to fair value and cash flow hedges (including net hedge ineffectiveness \$0.5 million (2019: nil)) and other fair value changes during the period. Refer to note 18(a) for fair value amounts reclassified from the hedge reserve and 33(d) for all fair value movements on the CCIRS and USPP Notes.

Refer to note 40(c) for the Group's accounting policy on finance costs.

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9 Income tax

(a) Amounts recognised in the Consolidated Income Statement

	2020 \$'M	2019 \$'M
Current tax expense		
Current year	42.9	45.4
Adjustments in respect of prior years	(4.8)	(1.1)
	38.1	44.3
Deferred tax expense		
Origination and reversal of temporary differences	0.1	1.2
Adjustments in respect of prior years	4.4	–
	4.5	1.2
Income tax expense	42.6	45.5

(b) Amounts recognised directly in other comprehensive income or equity

Deferred income tax benefit recognised directly in other comprehensive income of \$0.1 million (2019: nil) relates to the tax effect of items recognised in the hedge reserve.

Deferred income tax benefit recognised directly in equity for the year of nil (2019: \$2.1 million benefit) relates to the tax effect of items recognised in the employee equity benefits reserve.

(c) Reconciliation between tax expense and pre-tax net profit at the statutory rate

	2020 \$'M	2019 \$'M
Profit before tax	155.2	166.0
Income tax using the corporation tax rate of 30% (2019: 30%)	46.6	49.8
Increase/(decrease) in income tax expense due to:		
Share of losses from equity accounted investments	0.9	0.4
Non-deductible expenses	0.1	0.3
Business acquisition costs	1.0	(0.1)
Adjustments in respect of prior years	(0.4)	(1.1)
Research and development tax credits	(3.1)	(3.1)
Non-assessable gain on sale of properties	(3.4)	(0.5)
Non-deductible loss on loans	1.1	–
Non-deductible loss on sale of equity accounted investments	–	0.7
Non-deductible gain on loss of control of subsidiary	(0.3)	–
Employee share plan expenses	0.1	(0.5)
Other	–	(0.4)
Income tax expense	42.6	45.5

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9 Income tax (continued)

(d) Deferred tax

Deferred tax in the Consolidated Balance Sheet relates to the following:

2020	OPENING BALANCE \$'M	RECOGNISED IN PROFIT OR LOSS \$'M	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$'M	RECOGNISED DIRECTLY IN EQUITY \$'M	ACQUIRED IN BUSINESS COMBINATION \$'M	OTHER ^{1,2} \$'M	CLOSING BALANCE \$'M
Deferred tax assets							
PP&E	49.8	(4.1)	—	—	0.3	—	46.0
Leases	0.6	3.1	—	—	—	3.3	7.0
Employee benefits	23.2	2.5	—	—	0.3	—	26.0
Provisions	92.0	(10.5)	—	—	2.7	—	84.2
Tax losses	0.2	1.0	—	—	—	(1.2)	—
Other	41.4	1.1	—	—	—	—	42.5
Deferred tax liabilities							
Intangible assets	(130.7)	5.1	—	—	(1.3)	0.4	(126.5)
Other	(13.8)	(2.7)	0.1	—	—	1.4	(15.0)
Net deferred tax assets	62.7	(4.5)	0.1	—	2.0	3.9	64.2

1 Other leases includes tax effect of initial application of AASB 16 of \$3.3 million. Refer to note 41.

2 Includes \$0.6 million related to the derecognition of subsidiary on loss of control. Refer to note 29.

2019	OPENING BALANCE \$'M	RECOGNISED IN PROFIT OR LOSS \$'M	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$'M	RECOGNISED DIRECTLY IN EQUITY \$'M	ACQUIRED IN BUSINESS COMBINATION \$'M	OTHER ¹ \$'M	CLOSING BALANCE \$'M
Deferred tax assets							
PP&E	52.6	(2.8)	—	—	—	—	49.8
Leases	0.4	0.2	—	—	—	—	0.6
Employee benefits	24.5	(1.5)	—	—	0.2	—	23.2
Provisions	95.3	(4.1)	—	—	—	0.8	92.0
Tax losses	—	0.2	—	—	—	—	0.2
Other	39.4	(0.1)	—	2.1	—	—	41.4
Deferred tax liabilities							
Intangible assets	(136.3)	7.7	—	—	(2.1)	—	(130.7)
Other	(11.6)	(0.8)	—	—	(1.4)	—	(13.8)
Net deferred tax assets	64.3	(1.2)	—	2.1	(3.3)	0.8	62.7

1 Includes tax effect of the initial application of AASB 9 of \$0.7 million.

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10 Earnings per share

	2020	2019
Basic earnings per share (cents)	5.5	5.9
Diluted earnings per share (cents)	5.5	5.9

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit after income tax attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the financial year.

Reconciliation of earnings used as the numerator in calculating basic earnings per share:

	2020 \$'M	2019 \$'M
Profit after income tax	112.6	120.5
Net loss/(profit) attributable to non-controlling interests	0.3	(0.1)
Profit after tax attributable to ordinary equity holders	112.9	120.4

Reconciliation of weighted average number of ordinary shares:

	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating earnings per share		
Number for basic earnings per share	2,050,673,797	2,041,572,028
Effect of potential ordinary shares	10,379,638	12,651,069
Number for diluted earnings per share	2,061,053,435	2,054,223,097

(ii) Diluted earnings per share

Diluted earnings per share adjusts basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Dilutive potential ordinary shares are limited to performance rights issued under the Group's Long-term and Short-term Incentive plans. Refer to note 36 for details. The dilutive effect of the performance rights on basic earnings per share reported above is not material.

11 Cash and cash equivalents

Composition of cash and cash equivalents

	2020 \$'M	2019 \$'M
Cash at bank and on hand	79.8	56.2
	79.8	56.2

The Group has pledged nil (2019: \$0.3 million) of its short-term deposits to fulfil collateral requirements in relation to contingent liabilities and corporate credit card facilities.

Refer to note 40(g) for the Group's accounting policy on cash and cash equivalents.

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12 Trade and other receivables

	2020 \$'M	2019 \$'M
Trade receivables	347.6	380.0
Contract assets ¹	1.5	1.4
Other receivables	4.8	6.4
Provision for expected credit losses	(5.8)	(5.8)
	348.1	382.0

1 Contract assets arise when the Group has performed work but does not yet have the right to invoice. This is the case in the Industrial & Waste Services operating segment when work is performed on a fixed price quote.

Refer to note 40(h) for the Group's accounting policy on trade and other receivables.

The ageing of the Group's trade receivables at the reporting date was:

	2020 \$'M	2019 \$'M
Not past due	268.8	271.8
Past due 1 – 30 days	41.9	65.3
Past due 31 – 120 days	21.9	29.8
Past due 121 days or more	15.0	13.1
	347.6	380.0

The movement in the provision for expected credit losses during the year was as follows:

	2020 \$'M	2019 \$'M
Opening balance	5.8	2.6
Adjustment on adoption of AASB 9	–	2.4
Provisions recognised ¹	6.0	5.8
Reversal of provisions	(2.5)	(1.8)
Utilisation of provisions	(3.5)	(3.2)
Closing balance	5.8	5.8

1 Expected credit losses related to COVID-19 have been considered in determining the provision for the current year.

No single customer's annual revenue is greater than 1.7% (2019: 1.9%) of the Group's total revenue. Trade and other receivables that are neither past due or impaired are considered to be of a high credit quality.

13 Inventories

	2020 \$'M	2019 \$'M
Raw materials and consumables – at cost	7.2	7.5
Work in progress – at cost	0.2	2.2
Finished goods – at cost	12.0	10.2
	19.4	19.9

Refer to note 40(i) for the Group's accounting policy on inventories.

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14 Trade and other payables

	2020 \$'M	2019 \$'M
Trade payables	116.2	123.1
Other payables and accruals	154.8	134.4
	271.0	257.5

Refer to note 40(l) for the Group's accounting policy on trade and other payables.

15 Assets held for sale

On 27 June 2019, the Group entered into an agreement to sell the buffer land surrounding the old Tullamarine landfill site in Victoria. Title of the land passed to the purchaser on 14 April 2020 and a gain on sale of \$8.1 million has been recognised during the year ended 30 June 2020.

16 Interest-bearing liabilities

	UNSECURED				SECURED	TOTAL INTEREST- BEARING LIABILITIES \$'M
	BANK LOANS \$'M	US PRIVATE PLACEMENT NOTES \$'M	CLEAN ENERGY FINANCE CORPORATION \$'M	OTHER \$'M	LEASE LIABILITIES ² \$'M	
Opening balance at 1 July 2019	480.1	—	99.4	0.8	134.4	714.7
Transfers on adoption of AASB 16 ¹	—	—	—	—	297.0	297.0
(Repayment)/proceeds of borrowings	(365.1)	397.6	—	(0.7)	(55.2)	(23.4)
Borrowing costs paid	(0.9)	(1.8)	—	—	—	(2.7)
Cash flows	(366.0)	395.8	—	(0.7)	(55.2)	(26.1)
Lease drawdowns	—	—	—	—	64.1	64.1
Remeasurement of lease liabilities	—	—	—	—	16.3	16.3
Non-cash settlements	(7.5)	—	—	—	—	(7.5)
Derecognition on loss of control of subsidiary	—	—	(9.9)	(0.5)	(19.4)	(29.8)
Acquisition of businesses	—	—	—	0.8	0.1	0.9
Fair value changes	—	34.0	—	—	—	34.0
Non-cash transaction costs	0.3	(3.1)	—	—	—	(2.8)
Amortisation of borrowing costs	4.2	0.2	0.2	—	—	4.6
Closing balance at 30 June 2020	111.1	426.9	89.7	0.4	437.3	1,065.4

1 Lease liabilities at 30 June 2019 relate to finance leases as defined in AASB 117 *Leases*. Upon adoption of AASB 16 *Leases* on 1 July 2019, leases which were previously classed as operating leases have been brought on balance sheet as lease liabilities. Refer to note 22 and 41 for further details.

2 Lease liabilities at 30 June 2020 consist of current lease liabilities of \$69.2 million and non-current lease liabilities of \$368.1 million.

The following lease expenses are included in the Consolidated Income Statement and do not form part of lease liabilities:

	2020 \$'M
Expenses relating to short-term leases (included in property expenses and other expenses)	23.9
Expenses relating to low-value assets that are not short-term leases (included in other expenses)	1.7
Expenses relating to variable lease payments (included in labour related expenses)	49.3
	74.9

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16 Interest-bearing liabilities (continued)

	UNSECURED			SECURED	TOTAL INTEREST- BEARING LIABILITIES \$'M
	BANK LOANS \$'M	CLEAN ENERGY FINANCE CORPORATION \$'M	OTHER \$'M	LEASE LIABILITIES \$'M	
Opening balance at 1 July 2018	534.2	89.3	–	101.7	725.2
Proceeds/(repayment) of borrowings	(59.0)	–	0.3	(15.2)	(73.9)
Borrowing costs paid	(0.8)	–	–	–	(0.8)
Cash flows	(59.8)	–	0.3	(15.2)	(74.7)
Lease drawdowns	–	–	–	47.9	47.9
Non-cash settlements	2.6	–	–	–	2.6
Acquisition of businesses	–	10.0	0.5	–	10.5
Borrowing costs reversed/(accrued)	0.3	–	–	–	0.3
Amortisation of borrowing costs	2.8	0.1	–	–	2.9
Closing balance at 30 June 2019	480.1	99.4	0.8	134.4	714.7

Refer to note 40(m) for the Group's accounting policy on borrowings.

Financing facilities

The facility limits and maturity profile of the Group's main financing facilities are as follows:

FACILITY			AMOUNT	MATURITY
Syndicated Facility Agreement	Facility A	working capital tranche	\$135 million	31 July 2022
	Facility B	4 year revolver	\$200 million	31 July 2023
	Facility C	5 year revolver	\$315 million	31 July 2024
US Private Placement (USPP) Notes		8 year debt notes	US\$90 million	11 February 2028
		10 year debt notes	US\$90 million	11 February 2030
		12 year debt notes	US\$90 million	11 February 2032
Clean Energy Finance Corporation		8 year term loan	\$90 million	17 August 2025
Uncommitted bank guarantee facility			\$60 million	31 December 2020

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16 Interest-bearing liabilities (continued)

The headroom available in the Group's facilities at 30 June 2020 is summarised below:

		AVAILABLE \$'M	UTILISED \$'M	NOT UTILISED \$'M
Syndicated Facility Agreement	Facility A ^{1,2,3}	135.0	(118.2)	16.8
	Facility B ³	200.0	(115.0)	85.0
	Facility C ³	315.0	–	315.0
US Private Placement (USPP) Notes		426.9	(426.9)	–
Clean Energy Finance Corporation ⁴		90.0	(90.0)	–
Bank guarantee facilities ¹		60.0	(55.7)	4.3
		1,226.9	(805.8)	421.1

1 These facilities include \$145.7 million (2019: \$141.5 million) in guarantees and letters of credit which only give rise to a liability where the Group fails to perform its contractual obligations.

2 This facility includes \$6.5 million (2019: \$6.5 million) of corporate credit card limit utilisation and \$15.0 million (2019: nil) of overdraft utilisation and \$6.6 million (2019: \$7.3 million) of outstanding finance lease commitments.

3 Amounts utilised exclude capitalised transaction costs of \$3.9 million (2019: \$7.4 million) and nil (2019: \$0.7 million) of bank loans advanced under uncommitted facilities.

4 Amount utilised excludes capitalised transaction costs of \$0.4 million (2019: \$0.6 million).

The headroom available in the Group's facilities at 30 June 2019 is summarised below:

		AVAILABLE \$'M	UTILISED \$'M	NOT UTILISED \$'M
Syndicated Facility Agreement	Facility A	135.0	(106.4)	28.6
	Facility B	200.0	(200.0)	–
	Facility C	315.0	(30.0)	285.0
	Facility D	250.0	(250.0)	–
Clean Energy Finance Corporation		100.0	(100.0)	–
Bank guarantee facilities		60.0	(55.7)	4.3
		1,060.0	(742.1)	317.9

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17 Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs incurred by the Company arising on the issue of capital are recognised directly in equity as a reduction of the share capital received.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Ordinary shares have no par value and all issued shares are fully paid.

	2020		2019	
	NUMBER OF SHARES	\$'M	NUMBER OF SHARES	\$'M
Opening balance	2,044,507,391	2,678.2	2,036,684,232	2,671.0
Issue of shares under dividend reinvestment plan	5,053,889	10.5	3,446,846	7.2
Issue of shares under employee incentive plans	4,383,551	–	4,376,313	–
Closing balance	2,053,944,831	2,688.7	2,044,507,391	2,678.2

18 Reserves

(a) Hedge reserve

The Group's hedge reserve includes net gains/(losses) relating to changes in AUD/USD currency basis included in the fair value of cross-currency interest rates swaps (CCIRS). Currency basis is excluded from the Group's hedge relationships and accounted for as a cost of hedging recognised in other comprehensive income. The reserve also includes effective gains/(losses) included in the fair value of CCIRS that are part of cash flow hedges, net of amounts reclassified to net finance costs. Amounts in the hedge reserve will be reclassified to net finance costs in subsequent periods when the hedged item is recognised in the income statement. Refer to note 33(d).

	2020 \$'M	2019 \$'M
Opening balance	–	–
Net loss on currency basis (net of tax)	(0.1)	–
Closing balance	(0.1)	–

The effective portion of cash flow hedges was \$6.5 million (2019: nil) and was reclassified to net finance costs during the period to offset the net gain/(loss) on the hedged items.

(b) Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 36 for further details on these share-based payment plans.

	2020 \$'M	2019 \$'M
Opening balance	24.0	16.4
Share-based payment expense (net of tax)	–	7.6
Closing balance	24.0	24.0

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19 Dividends

The Company declared fully franked dividends on ordinary shares for the financial year ended 30 June 2020 of 4.1 cents per share, being an interim dividend of 2.0 cents per share and final dividend of 2.1 cents per share. The record date of the final dividend is 14 September 2020 with payment to be made on 6 October 2020.

Details of dividends in respect of the financial year are as follows:

	2020 CENTS PER SHARE	2019 CENTS PER SHARE	2020 \$'M	2019 \$'M
Dividends paid during the period				
Final dividend relating to prior period	1.90	1.40	38.9	28.5
Interim dividend relating to current period	2.00	1.65	41.0	33.7
	3.90	3.05	79.9	62.2
Dividends determined in respect of the period				
Interim dividend relating to current period	2.00	1.65	41.0	33.7
Final dividend relating to current period	2.10	1.90	43.1	38.9
	4.10	3.55	84.1	72.6

Franking credit balance

The available amounts are based on the balance of the franking account at year-end, adjusted for:

- (a) Franking credits or debits that will arise from the payment of current tax liabilities or receipt of current tax assets;
- (b) Franking debits that will arise from the payment of franked or partially franked dividends recognised as a liability at the year-end; and
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables by the Tax Consolidated Group at the year-end.

	2020 \$'M	2019 \$'M
30% franking credits available for subsequent financial years ¹	24.7	21.4

¹ The payment of the final 2020 dividend determined after 30 June 2020 will reduce the franking account by \$18.5 million.

The unadjusted balance of the franking account at 30 June 2020 was \$19.0 million (2019: \$4.1 million).

Notes to the Consolidated Financial Statements

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20 Capital management

When managing capital, the Group's objective is to ensure that it uses a mix of funding options to optimise returns to equity holders and manage risk. The facility limits and maturity profile of the Group's main financing facilities are contained in note 16.

The capital structure of the Group comprises: debt, which includes borrowings and lease liabilities; cash and cash equivalents; and equity attributable to equity holders of the parent, such equity comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Balance Sheet. The Group is subject to and complies with externally imposed capital requirements.

The gearing ratio of the Group at reporting date was as follows:

	2020 \$'M	2019 \$'M
Current interest-bearing liabilities	69.6	17.1
Non-current interest-bearing liabilities	995.8	697.6
Less derivative financial instruments ¹	(30.0)	–
Less cash and cash equivalents	(79.8)	(56.2)
Net debt	955.6	658.5
Total equity	2,570.0	2,534.3
Gearing ratio ²	27.1%	20.6%

1 At 30 June 2020, the Group held cross currency interest rate swaps (CCIRS) to protect against interest rate and foreign currency movements in relation to the USPP notes.

2 The gearing ratio is calculated as Net debt divided by Net debt plus Total equity attributable to the parent.

Following adoption of AASB 16 *Leases*, net debt has increased with the recognition of additional lease liabilities on 1 July 2019 and the gearing ratio increased from 20.6% to 27.4%. Refer to note 41 for further information.

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21 Property, plant and equipment

2020	NON-LANDFILL LAND AND BUILDINGS \$'M	LANDFILL ASSETS \$'M	LEASEHOLD IMPROVEMENTS \$'M	PLANT AND EQUIPMENT ¹ \$'M	CAPITAL WORK IN PROGRESS \$'M	TOTAL \$'M
Opening net book value	152.9	237.2	64.3	711.5	66.1	1,232.0
Adjustment on adoption of AASB 16 ¹	—	—	—	(127.1)	(5.2)	(132.3)
Additions	—	—	—	—	215.3	215.3
Acquisitions of businesses	51.2	—	—	21.5	—	72.7
Net movement in remediation assets ²	—	4.9	(0.5)	—	—	4.4
Disposals	(2.6)	—	(0.1)	(10.4)	—	(13.1)
Derecognition on loss of control of subsidiary	—	—	(1.0)	(12.3)	(0.3)	(13.6)
Transfer of assets	8.3	56.6	16.0	120.0	(201.2)	(0.3)
Depreciation	(3.9)	(41.6)	(7.6)	(116.3)	—	(169.4)
Write-off of plant and equipment	—	—	(8.1)	(10.7)	(0.8)	(19.6)
Closing net book value	205.9	257.1	63.0	576.2	73.9	1,176.1
Cost	215.9	713.0	82.0	1,738.4	73.9	2,823.2
Accumulated depreciation	(10.0)	(455.9)	(19.0)	(1,162.2)	—	(1,647.1)
Net book value	205.9	257.1	63.0	576.2	73.9	1,176.1

1 The carrying value of plant and equipment at 30 June 2019 included finance leases as defined under AASB 117 Leases. On 1 July 2019, on adoption of AASB 16 Leases, assets under finance lease were reclassified to right-of-use assets. Refer to note 22 and 41 for further details.

2 Net movement in remediation assets reflects adjustments to the remediation provision for open landfill sites and leasehold improvements. Refer to note 40(j) for details on the Group's accounting policy.

2019	NON-LANDFILL LAND AND BUILDINGS \$'M	LANDFILL ASSETS \$'M	LEASEHOLD IMPROVEMENTS \$'M	PLANT AND EQUIPMENT \$'M	CAPITAL WORK IN PROGRESS \$'M	TOTAL \$'M
Opening net book value	127.2	208.6	62.0	682.5	70.5	1,150.8
Additions	—	—	—	—	220.0	220.0
Acquisitions of businesses	—	—	0.9	3.3	11.6	15.8
Net movement in remediation assets	—	43.2	1.2	—	—	44.4
Disposals	(4.8)	—	(0.1)	(3.3)	—	(8.2)
Transfer of assets	32.8	33.7	4.5	163.0	(236.0)	(2.0)
Depreciation	(2.3)	(48.3)	(4.2)	(134.0)	—	(188.8)
Closing net book value	152.9	237.2	64.3	711.5	66.1	1,232.0
Cost	159.4	651.5	79.8	1,846.7	66.1	2,803.5
Accumulated depreciation	(6.5)	(414.3)	(15.5)	(1,135.2)	—	(1,571.5)
Net book value	152.9	237.2	64.3	711.5	66.1	1,232.0

Accounting for landfill assets

The Group is responsible for a total of 14 landfills (2019: 14 landfills). Of the 14 landfills, eight are closed. Those that are open are expected to close between 2021 and 2063. The Group's remediation provisions are based on an average 30 year post-closure period.

It is the Group's policy at time of development or acquisition of a landfill and at each reporting date to:

- Capitalise the cost of cell development to landfill assets;
- Capitalise the cost of purchased landfill assets;
- Depreciate the capitalised landfill assets over the useful life of the landfill asset or site; and
- Recognise income generated from the landfill assets in the reporting period earned.

Refer to note 40(j) for further details on the Group's accounting policy on landfill assets.

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22 Right-of-use assets

2020	PROPERTIES \$'M	PLANT AND EQUIPMENT \$'M	TOTAL \$'M
Opening net book value	–	–	–
Adjustment on adoption of AASB 16 ¹	265.8	151.5	417.3
New leases	6.4	57.7	64.1
Remeasurement due to a variation in lease term	12.1	0.4	12.5
Remeasurement due to rental increases	4.1	–	4.1
Derecognition on loss of control of subsidiary	(19.4)	–	(19.4)
Depreciation	(35.9)	(26.0)	(61.9)
Closing net book value	233.1	183.6	416.7
Cost	267.2	227.0	494.2
Accumulated depreciation	(34.1)	(43.4)	(77.5)
Net book value	233.1	183.6	416.7

¹ At 30 June 2019, the Group recognised assets under finance lease in property plant and equipment in accordance with AASB 117 *Leases*, refer to note 21. On 1 July 2019, on adoption of AASB 16 *Leases*, assets under finance lease were reclassified to right-of-use assets. Refer to note 41 for further details.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability or right-of-use asset until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

23 Intangible assets

2020	GOODWILL \$'M	LANDFILL AIRSPACE \$'M	BRAND NAMES \$'M	CUSTOMER INTANGIBLES AND LICENCES \$'M	OTHER INTANGIBLES \$'M	TOTAL \$'M
Opening net book value	1,827.3	233.5	78.6	156.6	28.9	2,324.9
Additions	–	0.2	–	–	9.1	9.3
Acquisitions of businesses	11.5	–	–	4.5	–	16.0
Derecognition on loss of control of subsidiary	(22.8)	–	–	(1.2)	–	(24.0)
Transfers from PP&E	–	–	–	–	0.3	0.3
Amortisation	–	(6.8)	–	(16.7)	(8.4)	(31.9)
Closing net book value	1,816.0	226.9	78.6	143.2	29.9	2,294.6
Cost	1,816.0	256.3	78.6	213.1	83.9	2,447.9
Accumulated amortisation	–	(29.4)	–	(69.9)	(54.0)	(153.3)
Net book value	1,816.0	226.9	78.6	143.2	29.9	2,294.6

2019	GOODWILL \$'M	LANDFILL AIRSPACE \$'M	BRAND NAMES \$'M	CUSTOMER INTANGIBLES AND LICENCES \$'M	OTHER INTANGIBLES \$'M	TOTAL \$'M
Opening net book value	1,796.6	239.9	78.6	165.6	29.4	2,310.1
Additions	–	1.0	–	–	4.7	5.7
Acquisitions of businesses	30.7	–	–	7.0	–	37.7
Transfers from PP&E	–	–	–	–	3.4	3.4
Amortisation	–	(7.4)	–	(16.0)	(8.6)	(32.0)
Closing net book value	1,827.3	233.5	78.6	156.6	28.9	2,324.9
Cost	1,827.3	256.1	78.6	209.8	74.5	2,446.3
Accumulated amortisation	–	(22.6)	–	(53.2)	(45.6)	(121.4)
Net book value	1,827.3	233.5	78.6	156.6	28.9	2,324.9

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23 Intangible assets (continued)

Goodwill and brand names are monitored at an operating segment level.

The carrying amount of goodwill and non-amortising intangible assets (brand name) are allocated to operating segments or CGUs as follows:

	SOLID WASTE SERVICES \$'M	INDUSTRIAL & WASTE SERVICES \$'M	LIQUID WASTE & HEALTH SERVICES \$'M	TOTAL \$'M
2020				
Goodwill	1,275.4	168.2	372.4	1,816.0
Brand names	78.6	–	–	78.6
Total	1,354.0	168.2	372.4	1,894.6
2019				
Goodwill	1,286.7	168.2	372.4	1,827.3
Brand names	78.6	–	–	78.6
Total	1,365.3	168.2	372.4	1,905.9

Annual impairment testing

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill and brand names are not amortised but are subject to impairment testing. In accordance with the Group's accounting policies, the Group performs its impairment testing annually at 30 June. Goodwill and brand names assets are however reviewed at each reporting period to determine whether there is an indicator of impairment. Where an indicator of impairment exists, a formal review is undertaken to estimate the recoverable amount of related assets.

Results of impairment testing

Based on impairment testing performed, the recoverable amounts of each CGU exceed the carrying amounts at 30 June 2020.

Key assumptions used for annual impairment testing

The recoverable amount of each operating segment or CGU is determined based on value-in-use calculations using five-year forecasted cash flows of the CGUs and a terminal value calculation, other than those associated with landfill assets. Cash flows from the landfill assets are limited to the available airspace of the landfill. These calculations use cash flow projections based on actual operating results, the 2021 budget approved by the Board and the latest five-year strategic plan adjusted for known developments and changes in information since the plan was formulated.

The terminal value growth rate has been based on published long-term growth rates. The terminal growth rate for Solid Waste Services was 2.5% (2019: 2.5%). The terminal growth rate for Industrial & Waste Services and Liquid Waste & Health Services remains at 2.0% (2019: 2.0%). The discount rate has been based on an industry Weighted Average Cost of Capital (WACC) with cash flow projections being adjusted for CGU specific risks.

Forecast revenue, EBITDA and capital spend assumptions used in 30 June 2020 impairment testing have been adjusted for known and anticipated future operational changes and additional potential risk identified since 30 June 2019. These changes are reflected in the following summary of key assumptions table.

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23 Intangible assets (continued)

The table below provides a summary of the key assumptions used in the impairment testing:

ASSUMPTIONS	SOLID WASTE SERVICES		INDUSTRIAL & WASTE SERVICES		LIQUID WASTE & HEALTH SERVICES	
	JUNE 2020	JUNE 2019	JUNE 2020	JUNE 2019	JUNE 2020	JUNE 2019
EBITDA growth ¹	6.3%	5.1%	5.2%	8.6%	7.0%	8.4%
Capital spend rate ²	10.7%	10.3%	6.4%	6.4%	7.9%	7.5%
Terminal value growth rate	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%
Post-tax discount rate	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Pre-tax discount rate	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%

1 Growth rates have been calculated with 30 June 2020 revenue and underlying EBITDA as a base.

2 Reflects capital spend as a percentage of revenue, calculated as the five-year average of forecast spend.

EBITDA growth assumptions

Solid Waste Services EBITDA growth of 6.3% assumes long-term GDP of 2.75% and CPI of 2.0% across all activities. Short-term growth also considers major new commercial and municipal contract wins.

Industrial & Waste Services EBITDA growth of 5.2% is mainly a result of GDP and CPI growth but also considers new and expiring contracts and the completion of the final phase of integration of Toxfree.

Liquid Waste & Health Services EBITDA growth also assumes GDP and CPI but is adjusted for growth achievable in the current economic and competitive environment.

Capital spend assumptions

Capital spend incorporates consideration of industry benchmarks but also reflects continued capital discipline together with specific business requirements. The Solid Waste Services segment is the most capital-intensive part of the business and the Industrial & Waste Services CGU is the least as its primary source of revenue is technical labour services.

Other assumptions

Climate change is an emerging risk and presents complex challenges for companies, governments and society. Cleanaway believes that the transition to a zero-carbon economy presents opportunities for our business as well as risks. These risks include decarbonisation of the economy leading to contraction in carbon-intensive industries; the introduction of a carbon price; and an increase of frequency and severity of extreme weather events. Opportunities for Cleanaway may include increased regulation to reduce embodied carbon emissions favouring the domestic recycling industry; and increased incentives to invest in energy-from-waste plants. Whilst the value-in-use calculations do not include specific cash inflows or outflows associated with climate change related opportunities or risks, the calculations use a risk-adjusted discount rate reflecting that all estimates and assumptions are subject to risk and uncertainty.

Cleanaway has considered the impact of the COVID-19 pandemic on our annual impairment testing. As the COVID-19 pandemic evolves, we expect the small and medium enterprise (SME) parts of our business to be impacted, however we also expect other services such as health, municipal collection and related post-collections activities to remain strong. Growth assumptions used in the Group's five-year forecasted cash flows assume steady growth which is in contrast to forecasts published by the RBA in May 2020 which reflect significant growth when the economy as a whole rebounds from the pandemic. The Group has the ability to manage costs and resources under current conditions, and the flexibility to change cost structures should conditions deteriorate.

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23 Intangible assets (continued)

Impact of possible changes in key assumptions

Any variation in the key assumptions used to determine recoverable amount would result in a change to the estimated recoverable amount. If variations in assumptions had a negative impact on recoverable amount it could indicate a requirement for some impairment of non-current assets. If variations in assumptions had a positive impact on recoverable amount it could indicate a requirement for a reversal of previously impaired non-current assets, with the exception of goodwill.

Estimated reasonably possible changes (absolute numbers) in the key assumptions would have the following approximate impact on impairment of each CGU as at 30 June 2020:

	REASONABLY POSSIBLE CHANGE	SOLID WASTE SERVICES \$'M	INDUSTRIAL & WASTE SERVICES \$'M	LIQUID WASTE & HEALTH SERVICES \$'M
Decrease in CAGR% – EBITDA	1% to 2%	nil	nil	nil
Increase in capital spend rate	0.5% to 1%	nil	nil	nil
Decrease in terminal value growth rate	1%	nil	nil	nil
Increase in post-tax discount rate	0.3% to 1%	nil	nil	nil

Whilst the table above outlines management's best estimates of key assumptions and reasonably possible changes in key value drivers, changes in the level of business activity may also materially impact the determination of recoverable amount. Should the macroeconomic factors that are specific to the Australian domestic market change, this could impact the level of activity in the market, as well as, competition and thereby affect the Group's revenue and cost initiatives. If conditions change unfavourably, changes in recoverable amount estimates may arise.

Each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Modelling incorporating the assumptions identified in the key assumptions table provides that the recoverable amount exceeds the carrying amount (headroom) as outlined below. The recoverable amount of the operating segment or CGUs would equal its carrying amount if the key assumptions were to change as follows:

	SOLID WASTE SERVICES	INDUSTRIAL & WASTE SERVICES	LIQUID WASTE & HEALTH SERVICES
Headroom \$'M	802.4	79.5	333.2
Decrease in CAGR% – EBITDA ¹	4.4%	2.7%	5.1%
Increase in capital spend rate ¹	3.7%	1.2%	3.1%
Decrease in terminal value growth rate ^{1,2}	3.1%	1.8%	3.7%
Increase in post-tax discount rate ¹	2.3%	1.3%	2.6%

¹ Percentage changes presented above represent the absolute change in the assumption value (for example post-tax discount rate increasing by 2.3% from 7.3% to 9.6%).

² Terminal value for Solid Waste Services and Liquid Waste & Health Services would reflect negative value as they are currently modelled at 2.5% and 2.0% respectively.

Refer to note 40(k) for further details on the Group's intangible assets accounting policy.

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24 Equity accounted investments

The Group holds a 50% interest or greater than a 50% interest in some of the following equity accounted investments but does not have control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group does not have power over these entities either through management control or voting rights.

NAME OF ENTITY	COUNTRY	REPORTING DATE	OWNERSHIP INTEREST		CARRYING VALUE OF INVESTMENT	
			2020 %	2019 %	2020 \$'M	2019 \$'M
Joint ventures:						
A.C.N. 635 427 262 Pty Ltd ¹	Australia	30 June	51	–	10.5	–
Cleanaway ResourceCo RRF Pty Ltd ²	Australia	30 June	45	50	20.9	–
Earthpower Technologies Sydney Pty Ltd	Australia	30 June	50	50	–	–
Tomra Cleanaway Pty Ltd	Australia	30 June	50	50	2.5	2.9
Wonthaggi Recyclers Pty Ltd	Australia	30 June	50	50	0.6	0.9
Associates:						
Total Waste Management Pty Ltd ³	Australia	31 December	–	–	–	–
Western Resource Recovery Pty Ltd ³	Australia	31 December	–	–	–	–
					34.5	3.8

1 During the period, the Group acquired a 51% interest in this entity which holds the investment in the Energy from Waste Project in Western Sydney.

2 On 1 January 2020 the Group sold down a 5% interest in Cleanaway ResourceCo RRF Pty Ltd and at the same time, due to a change in the shareholders' agreement, no longer controlled the entity. Refer to note 29.

3 The group divested its interest in Total Waste Management Pty Ltd and Western Resource Recovery Pty Ltd on 10 December 2018.

(a) Share of profit/(loss) from joint ventures

	2020 \$'M	2019 \$'M
Revenues	197.0	161.9
Expenses	(202.5)	(161.7)
(Loss)/profit before income tax (100%)	(5.5)	0.2
Share of (loss)/profit before income tax	(2.6)	0.1
Income tax benefit	0.5	0.5
Share of (loss)/profit after tax	(2.1)	0.6
Dividend received in excess of carrying value	–	–
Share of net (loss)/profit recognised	(2.1)	0.6

(b) Share of profit from associates

	2020 \$'M	2019 \$'M
Revenues	–	5.1
Expenses	–	(4.7)
Profit before income tax (100%)	–	0.4
Share of profit before income tax	–	0.2
Income tax expense	–	(0.1)
Share of net profit recognised	–	0.1

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24 Equity accounted investments (continued)

(c) Transactions with equity accounted investments

The following table provides the total amount of transactions with equity accounted investments during the year ended 30 June 2020.

	SERVICES TO EQUITY ACCOUNTED INVESTMENTS		PURCHASES FROM EQUITY ACCOUNTED INVESTMENTS		INTEREST REVENUE FROM EQUITY ACCOUNTED INVESTMENTS	
	2020 \$'M	2019 \$'M	2020 \$'M	2019 \$'M	2020 \$'M	2019 \$'M
Joint ventures	77.2	61.7	4.6	2.2	0.2	0.2
Associates	—	0.6	—	2.0	—	—
	77.2	62.3	4.6	4.2	0.2	0.2

	TRADE AMOUNTS OWED BY EQUITY ACCOUNTED INVESTMENTS		TRADE AMOUNTS OWED TO EQUITY ACCOUNTED INVESTMENTS		LOANS TO EQUITY ACCOUNTED INVESTMENTS ¹	
	2020 \$'M	2019 \$'M	2020 \$'M	2019 \$'M	2020 \$'M	2019 \$'M
Joint ventures	0.5	0.1	1.2	1.2	10.7	3.8
Associates	—	—	—	—	—	—
	0.5	0.1	1.2	1.2	10.7	3.8

¹ This represents an unsecured loan to Tomra Cleanaway Pty Ltd of \$3.8 million (2019: \$3.8 million) repayable in full on 22 November 2022, an unsecured loan to Cleanaway ResourceCo RRF Pty Ltd of \$3.7 million (2019: nil) repayable on 30 June 2025 and an unsecured loan to A.C.N. 635 427 262 Pty Ltd of \$3.2 million, repayable when the project has progressed to the financing stage.

(d) Share of equity accounted investments' balance sheet

	2020 \$'M	2019 \$'M
Total assets	148.6	39.9
Total liabilities	(75.4)	(32.4)
Net assets as reported by equity accounted investments	73.2	7.5
Share of net assets equity accounted	34.5	3.8

(e) Impairment losses and commitments

During the year the equity accounted investments were tested for impairment and no adjustments were made as a result (2019: nil). As at the reporting date the Group had no contractual obligation to provide funding for capital commitments of equity accounted investments (2019: nil).

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25 Other assets

	2020 \$'M	2019 \$'M
Current		
Finance lease receivable ¹	4.5	4.3
Prepayments	18.5	17.3
Total current other assets	23.0	21.6
Non-current		
Finance lease receivable ¹	3.9	8.4
Costs to fulfil contracts ²	5.5	4.2
Prepayments	0.8	0.9
Loans to joint ventures	10.7	3.8
Other financial assets	3.0	–
Total non-current other assets	23.9	17.3

1 The Group has constructed a dedicated landfill cell for a customer. The cell will be paid for at an agreed fixed amount. The lease receivable has been recognised at an implicit rate of 3.28%.

2 The Group incurs costs to mobilise and set up significant new contracts. These costs are amortised over the life of the contract.

26 Employee entitlements

	2020 \$'M	2019 \$'M
Current		
Annual leave	37.9	34.5
Long service leave	22.2	23.6
Other	11.1	8.8
Total current employee entitlements	71.2	66.9
Non-current		
Long service leave	7.2	5.1
Total non-current employee entitlements	7.2	5.1

Refer to note 40(q) for the Group's accounting policy on employee entitlements.

During the year the Group contributed \$42.2 million (2019: \$41.5 million) to defined contribution plans. These contributions are expensed as incurred.

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27 Provisions

	2020 \$'M	2019 \$'M
Current		
Rectification provisions	2.3	14.5
Remediation provisions	29.4	43.5
Other	35.0	28.1
Total current provisions	66.7	86.1
Non-current		
Rectification provisions	13.1	13.8
Remediation provisions	256.5	264.6
Other	18.1	17.4
Total non-current provisions	287.7	295.8

Included in other provisions is an amount of \$18.7 million (2019: \$16.2 million) in relation to workers compensation self-insurance of the Group under the Comcare scheme. This amount is comprised of \$6.3 million (2019: \$6.0 million) classified as current and \$12.4 million (2019: \$10.2 million) classified as non-current. The provision for workers compensation represents the future claim payments required under the *Safety, Rehabilitation and Compensation Act 1998*, and associated expenses, in respect of claims incurred from 1 July 2006, being the commencement of the self-insurance arrangements, up to 30 June 2020. The provision has been calculated using a claim inflation rate of 1.80% (2019: 2.50%) and a discount rate of 0.83% (2019: 1.53%). The workers compensation self-insurance provision is reassessed annually based on actuarial advice.

The table below provides a roll forward of provisions:

	RECTIFICATION		REMEDATION		OTHER		TOTAL	
	2020 \$'M	2019 \$'M	2020 \$'M	2019 \$'M	2020 \$'M	2019 \$'M	2020 \$'M	2019 \$'M
Opening balance	28.3	32.2	308.1	285.9	45.5	37.8	381.9	355.9
Acquisitions of businesses	—	—	7.7	—	1.1	0.3	8.8	0.3
Provisions made	—	—	7.0	8.1	40.9	48.7	47.9	56.8
Provisions used or reversed	—	—	—	—	(34.7)	(41.3)	(34.7)	(41.3)
Derecognition on loss of control of subsidiary	—	—	—	—	(0.1)	—	(0.1)	—
Unwinding of discount	0.2	0.5	3.8	6.8	—	—	4.0	7.3
Change in discount rate	0.2	0.7	12.7	43.2	0.1	—	13.0	43.9
Change in assumptions ¹	(1.0)	(0.2)	(12.0)	(4.8)	0.3	—	(12.7)	(5.0)
Rectification and remediation spend	(12.3)	(4.9)	(41.4)	(31.1)	—	—	(53.7)	(36.0)
Closing balance	15.4	28.3	285.9	308.1	53.1	45.5	354.4	381.9

¹ The change in assumptions represents changes in environmental guidelines and cost estimates.

The provision for remediation has been estimated using current expected costs. These costs have been adjusted for the future value of the expected costs at the time of works being required. These costs have then been discounted to estimate the required provision at a rate of 1.12% (2019: 1.47%) for landfill remediation and rectification of landfills and 0.64% (2019: 1.31%) for industrial property remediation. Refer to note 40(o) for a summary of the accounting policy for provisions for remediation and rectification.

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28 Other liabilities

	2020 \$'M	2019 \$'M
Current		
Deferred settlement liabilities ¹	5.4	5.3
Landfill creation liability ²	22.9	19.6
Contract liabilities ³	6.5	7.2
Other liabilities	0.1	0.1
Total current other liabilities	34.9	32.2
Non-current		
Deferred settlement liabilities ¹	77.2	76.6
Landfill creation liability ²	49.7	37.9
Other liabilities	1.8	2.1
Total non-current other liabilities	128.7	116.6

- 1 Includes \$82.6 million (2019: \$81.9 million) relating to the acquisition of Melbourne Regional Landfill, acquired on 28 February 2015. The deferred consideration was recognised at the acquisition date resulting from transaction payments for site preparation and operation under the agreement to be paid to Boral over the life of the landfill and was determined using a discount rate of 7.0%.
- 2 The landfill creation liability relates to Melbourne Regional Landfill and is the amount payable to Boral in relation to airspace progressively made available by Boral. Cleanaway pay Boral for the airspace as the airspace is consumed, however the liability arises as Cleanaway takes control of the airspace.
- 3 A contract liability is the obligation to provide services to a customer for which the Group has received consideration from the customer. These liabilities generally arise when a customer is invoiced upon delivery of a container or bin, but Cleanaway still has the obligation to pick up the container or bin and dispose of the waste collected. Revenue for the period included \$7.2 million (2019: \$8.1 million) which was included in contract liabilities at the beginning of the year.

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29 Business combinations and loss of control of subsidiary

Year ended 30 June 2020

Business combinations

During the year ended 30 June 2020, the Group acquired a business from various entities in the SKM Recycling Group (receivers and managers appointed) (SKM). Details of the business combination are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS	OPERATING SEGMENT
SKM Recycling Group	31 October 2019	Recycling business based in Victoria, Tasmania and South Australia	Solid Waste Services

The provisional fair values of the identifiable assets and liabilities of the business combination at the date of acquisition were:

	2020 \$'M
Assets	
Property, plant and equipment	68.3
Prepayments	0.1
Deferred tax assets	3.3
	71.7
Liabilities	
Trade and other payables	0.5
Employee entitlements	0.9
Provisions	8.8
Interest-bearing liabilities	0.9
	11.1
Total identifiable net assets at fair value	60.6
Goodwill arising on acquisition	5.4
Purchase consideration	66.0
	2020 \$'M
Cash paid (included in cash flows from investing activities)	66.0
Transaction costs of the acquisition (included in cash flows from operating activities)	7.5
Net cash flow on acquisition	73.5

The acquisition of SKM followed the public sale process conducted by KordaMentha, who were appointed Receivers and Managers of SKM by Cleanaway following the acquisition of the senior secured debt in SKM, on 21 August 2019. From the date of acquisition to 30 June 2020, the business contributed \$30.4 million of revenue and \$1.1 million loss to profit before tax to the Group.

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For the year ended 30 June 2020

29 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2020 (continued)

During the year ended 30 June 2020, the Group acquired a business from Statewide Recycling Services Pty Ltd (Statewide). Details of the business combination are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS	OPERATING SEGMENT
Statewide	16 December 2019	Waste disposal and recycling business based in Warrnambool, Victoria	Solid Waste Services

The provisional fair values of the identifiable assets and liabilities of the business combination at the date of acquisition were:

	2020 \$'M
Assets	
Property, plant and equipment	4.4
Deferred tax assets	0.1
Intangible assets	4.5
	9.0
Liabilities	
Employee entitlements	0.2
Deferred tax liabilities	1.4
	1.6
Total identifiable net assets at fair value	7.4
Goodwill arising on acquisition	6.1
Purchase consideration	13.5

The intangible assets identified as part of the acquisition included customer relationship intangibles. These intangible assets were valued based on the expected cash flows from the customers of the acquired business, applying an expected attrition rate of the customer base. Goodwill acquired comprises the value of expected synergies arising from integration of the acquired businesses and is non-deductible for income tax purposes.

	2020 \$'M
Cash consideration paid (included in cash flows from investing activities)	13.5
Transaction costs of the acquisition (included in cash flows from operating activities)	0.4
Net cash flow on acquisition	13.9

From the date of acquisition to 30 June 2020, the business contributed \$5.0 million of revenue and \$1.4 million to profit before tax to the Group, including amortisation of customer intangibles of \$0.2 million. If the business had been acquired at the beginning of the reporting period, revenue of \$9.2 million and profit before tax of \$2.5 million would have been contributed to the Group, including amortisation of customer intangibles of \$0.5 million.

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29 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2020 (continued)

Loss of control of subsidiary

On 1 January 2020 the Group sold down a 5% interest in Cleanaway ResourceCo RRF Pty Ltd and at the same time, due to a change in the shareholders' agreement, also lost control of the entity. The Group now have joint control in Cleanaway ResourceCo RRF Pty Ltd. The assets and liabilities over which control was lost are as follows:

	2020 \$'M
Assets	
Cash and cash equivalents	0.5
Trade and other receivables	5.7
Inventories	0.6
Prepayments	0.5
Property, plant and equipment	13.6
Right-of-use assets	19.4
Intangible assets	24.0
	64.3
Liabilities	
Trade and other payables	9.7
Employee entitlements	0.1
Provisions	0.1
Interest-bearing liabilities	29.8
Deferred tax liabilities	0.6
	40.3
Net assets derecognised	24.0
Fair value of consideration received	2.5
Net assets derecognised	(24.0)
Non-controlling interests derecognised	0.6
Fair value retained in the former subsidiary ¹	22.0
Gain on loss of control of subsidiary	1.1

1 The fair value of the investment retained in Cleanaway ResourceCo RRF Pty Ltd is included in equity accounted investments, refer to note 24.

	2020 \$'M
Cash consideration received (included in cash flows from investing activities)	2.5
Cash derecognised on loss of control (included in cash flows from investing activities)	(0.5)
Net cash flow on loss of control of subsidiary	2.0

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29 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2019

During the year ended 30 June 2019, the Group completed two business combinations. The Group acquired a 50% interest in Cleanaway ResourceCo RRF Pty Ltd (formerly ResourceCo RRF Pty Ltd) and 100% interest in ASP Consolidated Group which comprises ASP Plastics Pty Limited and ASP Healthcare Pty Limited. The Group has control over the relevant activities of the two businesses and accordingly will consolidate its interests in the entities. Details of the business combinations are provided below:

BUSINESS ACQUIRED	DATE OF ACQUISITION	DESCRIPTION OF THE BUSINESS	OPERATING SEGMENTS
Cleanaway ResourceCo RRF Pty Ltd	30 October 2018	Resource Recovery Facility based in Wetherill Park in New South Wales	Solid Waste Services
ASP Consolidated Group	28 February 2019	ASP is a plastics manufacturing business, with a focus on the medical waste sector	Liquid Waste & Health Services

At 30 June 2019, provisionally determined values were reported. Subsequent to 30 June 2019, final fair values for the business combinations were determined. Comparative amounts for 30 June 2019 have been restated in this Financial Report for final determined fair values. The restated aggregated fair value of the identifiable assets and liabilities as at the date of acquisition were:

	PROVISIONAL FAIR VALUE REPORTED AT 30 JUNE 2019 \$'M	ADJUSTMENTS TO PROVISIONAL FAIR VALUE \$'M	FINAL FAIR VALUE \$'M
Assets			
Cash and cash equivalents	2.0	—	2.0
Trade and other receivables	4.5	—	4.5
Inventories	2.6	—	2.6
Property, plant and equipment	15.8	—	15.8
Prepayments	0.8	—	0.8
Intangible assets	7.0	—	7.0
	32.7	—	32.7
Liabilities			
Trade and other payables	5.2	—	5.2
Employee entitlements	0.7	—	0.7
Provisions	0.3	—	0.3
Interest-bearing liabilities	10.5	—	10.5
Deferred tax liabilities	3.3	—	3.3
	20.0	—	20.0
Total identifiable net assets at fair value	12.7	—	12.7
Non-controlling interest	(2.2)	—	(2.2)
Goodwill arising on acquisition	47.6	(16.9)	30.7
Purchase consideration	58.1	(16.9)	41.2

The intangible assets identified as part of the acquisitions included customer relationship intangibles. These intangible assets were valued based on the expected cash flows from the customers of the acquired business, applying an expected attrition rate of the customer base. Goodwill acquired comprises the value of expected synergies arising from integration of the acquired businesses and is non-deductible for income tax purposes.

Contingent consideration related to the Cleanaway ResourceCo RRF Pty Ltd would be paid if certain earnings targets were met by a certain date. The value of contingent consideration has been revised based on further information which is available related to conditions which existed at the time of acquisition. The interest expense related to the unwind of the discounted contingent consideration, which was recognised in the second half of the year ended 30 June 2019 of \$0.9 million (\$0.6 million after tax) has been adjusted against opening retained earnings.

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29 Business combinations and loss of control of subsidiary (continued)

Year ended 30 June 2019 (continued)

	PROVISIONAL FAIR VALUE REPORTED AT 30 JUNE 2019 \$'M	ADJUSTMENTS TO PROVISIONAL FAIR VALUE \$'M	FINAL FAIR VALUE \$'M
Cash paid (included in cash flows from investing activities)	41.2	–	41.2
Contingent consideration	16.9	(16.9)	–
Total purchase consideration	58.1	(16.9)	41.2
			2019 \$'M
Net cash acquired (included in cash flows from investing activities)			2.0
Cash consideration paid (included in cash flows from investing activities)			(41.2)
Transaction costs of the acquisition (included in cash flows from operating activities)			(0.3)
Net cash flow on acquisition			(39.5)

From the dates of acquisition to 30 June 2019, the Cleanaway ResourceCo RRF Pty Ltd and ASP Consolidated Group acquisitions contributed \$19.1 million of revenue and \$0.7 million loss to profit before tax to the Group, after amortisation of customer intangibles of \$0.6 million. If both businesses had been acquired at the beginning of the reporting period, revenue of \$33.2 million and loss before tax of \$1.4 million, after amortisation of customer intangibles of \$1.2 million, would have been contributed to the Group. The losses relate to the ResourceCo acquisition and have arisen during the commissioning phase of the newly built resource recovery facility.

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30 Subsidiaries

The Group's principal subsidiaries at 30 June 2020 are set out below.

	EFFECTIVE INTEREST ³	
	2020 %	2019 %
Active Industrial Solutions Pty Ltd ²	100	100
AJ Baxter Pty Ltd ²	100	100
ASP Plastics Pty Limited ²	100	100
ASP Healthcare Pty Limited ²	100	100
Baxter Business Pty Ltd ²	100	100
Baxter Recyclers Pty Ltd ²	100	100
Cleanaway Co Pty Ltd (formerly Tox Free Australia Pty Ltd) ²	100	100
Cleanaway Daniels Australia Pty Ltd (formerly Daniels Health Australia Pty Ltd) ²	100	100
Cleanaway Daniels FMD Pty Ltd (formerly Daniels FMD Pty Ltd) ²	100	100
Cleanaway Daniels Laboratory Products Pty Ltd (formerly Daniels Health Laboratory Products Pty Ltd) ²	100	100
Cleanaway Daniels NSW Pty Ltd (formerly Daniels Health NSW Pty Ltd) ²	100	100
Cleanaway Daniels Pty Ltd (formerly Daniels Health Pty Ltd) ²	100	100
Cleanaway Daniels Services Pty Ltd (formerly Daniels Health Services Pty Ltd) ²	100	100
Cleanaway Daniels VIC Pty Ltd (formerly Daniels Health VIC Pty Ltd) ²	100	100
Cleanaway Daniels Waste Services Pty Ltd (formerly Redlam Waste Services Pty Ltd) ²	100	100
Cleanaway Daniels Wollongong Pty Ltd (formerly Daniels Health Wollongong Pty Ltd) ²	100	100
Cleanaway Equipment Services Pty Ltd ²	100	100
Cleanaway Hygiene Pty Ltd ²	100	100
Cleanaway Industrial Solutions Pty Ltd ²	100	100
Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited) ²	100	100
Cleanaway Landfill Holdings Pty Ltd ²	100	100
Cleanaway (No. 1) Pty Ltd ²	100	100
Cleanaway Operations Pty Ltd ²	100	100
Cleanaway Organics Pty Ltd ²	100	100
Cleanaway Pty Ltd ²	100	100
Cleanaway Recycling Pty Ltd ²	100	100
Cleanaway Refiners Pty Ltd ²	100	100
Cleanaway Resource Recycling Pty Ltd ²	100	100
Cleanaway Solid Waste Pty Ltd ²	100	100
Cleanaway Superior Pak Pty Ltd ²	100	100
Cleanaway Waste Management Limited (Parent entity)	100	100
Daniels Manufacturing Australia Pty Ltd ²	100	100
Enviroguard Pty Ltd ²	100	100
Environmental Recovery Services Pty Ltd ²	100	100
Landfill Land Holdings Pty Ltd ²	100	100
Landfill Operations Pty Ltd ²	100	100
Mann Waste Management Pty Ltd ²	100	100
Max T Pty Ltd ²	100	100
Nationwide Oil Pty Ltd ²	100	100
NQ Resource Recovery Pty Ltd ²	100	100
Oil and Fuel Salvaging (Queensland) Pty Ltd ²	100	100

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30 Subsidiaries (continued)

	EFFECTIVE INTEREST ³	
	2020 %	2019 %
Pilbara Logistics Pty Ltd ²	100	100
PT Environmental Services Pty Ltd ²	100	100
PTK Environmental Services Pty Ltd ¹	50	70
PTW Environmental Services Pty Ltd	100	75
QORS Pty Ltd	100	100
Rubus Holdings Pty Ltd ²	100	100
Rubus Intermediate One Pty Ltd ²	100	100
Rubus Intermediate Two Pty Ltd ²	100	100
RWS Admin Pty Ltd ²	100	100
Sterihealth Sharpsmart Pty Ltd ²	100	100
T Environmental Services Pty Ltd ²	100	100
Transpacific Baxter Pty Ltd ²	100	100
Transpacific Cleanaway Holdings Pty Ltd ²	100	100
Transpacific Co Pty Ltd ²	100	100
Transpacific Environmental Services Pty Ltd ²	100	100
Transpacific Innovations Pty Ltd ²	100	100
Transpacific Paramount Service Pty Ltd	100	100
Transpacific Resources Pty Ltd ²	100	100
Transwaste Technologies Pty Ltd ²	100	100
Transwaste Technologies (1) Pty Ltd ²	100	100
Waste Management Pacific (SA) Pty Ltd ²	100	100
Waste Management Pacific Pty Ltd ²	100	100

- 1 Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As subsidiaries, the Group has power over the investees through management control and the casting vote. The Group has the capacity to dominate decision-making in relation to the relevant activities so as to enable those entities to operate as part of the Group in pursuing its objectives.
- 2 These subsidiaries are parties to a Deed of Cross Guarantee with Cleanaway Waste Management Limited created on 25 June 2018 pursuant to ASIC Class Order 2016/785 and are relieved from the requirement to prepare and lodge an audited Financial Report. Refer to note 31 for Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Balance Sheet of the entities who are a party to the Deed of Cross Guarantee.
- 3 All entities were incorporated in Australia.

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31 Deed of cross guarantee

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Balance Sheet of the entities who are a party to the Deed of Cross Guarantee are:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2020 \$'M	2019 \$'M
Revenue	2,302.1	2,247.9
Other income	34.6	7.0
Labour related expenses	(854.2)	(840.3)
Collection, recycling and waste disposal expenses	(631.1)	(601.3)
Fleet operating expenses	(227.2)	(231.7)
Property expenses	(45.7)	(71.6)
Other expenses	(93.8)	(78.0)
Loss on sale of investments	–	(2.2)
Gain on loss of control of subsidiary	1.1	–
Share of (losses)/profits from equity accounted investments	(2.1)	0.7
Depreciation and amortisation expense	(261.2)	(219.7)
Write-off of plant and equipment	(19.6)	–
Profit from operations	202.9	210.8
Net finance costs	(48.8)	(46.4)
Profit before income tax	154.1	164.4
Income tax expense	(41.6)	(45.2)
Profit after income tax	112.5	119.2
Other comprehensive income		
Net gain on currency basis on cross currency interest rate swaps (net of tax)	(0.1)	–
Net comprehensive loss recognised directly in equity	(0.1)	–
Total comprehensive income for the year	112.4	119.2

Refer to note 30 for details of subsidiaries who are a party to the Deed of Cross Guarantee.

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31 Deed of cross guarantee (continued)

BALANCE SHEET	2020 \$'M	2019 \$'M
Assets		
Current assets		
Cash and cash equivalents	76.6	51.0
Trade and other receivables	343.2	374.3
Inventories	19.4	17.2
Income tax receivable	–	–
Other assets	23.0	30.0
Total current assets	462.2	472.5
Non-current assets		
Property, plant and equipment	1,176.1	1,216.4
Right-of-use assets	416.7	–
Intangible assets	2,294.6	2,270.2
Equity accounted investments	34.5	3.8
Net deferred tax assets	62.4	64.0
Derivative financial instruments	30.0	–
Other assets	23.2	78.9
Total non-current assets	4,037.5	3,633.3
Total assets	4,499.7	4,105.8
Liabilities		
Current liabilities		
Trade and other payables	265.6	248.6
Income tax payable	5.7	17.3
Interest-bearing liabilities	69.6	17.1
Employee entitlements	71.2	66.5
Provisions	66.7	86.0
Other liabilities	34.9	33.7
Total current liabilities	513.7	469.2
Non-current liabilities		
Interest-bearing liabilities	995.7	686.8
Employee entitlements	7.2	4.8
Provisions	287.7	295.8
Other liabilities	128.9	115.1
Total non-current liabilities	1,419.5	1,102.5
Total liabilities	1,933.2	1,571.7
Net assets	2,566.5	2,534.1
Equity		
Issued capital	2,688.7	2,678.2
Reserves	23.5	23.6
Retained earnings	(145.7)	(167.7)
Total equity	2,566.5	2,534.1

The effect of the deed is that all subsidiaries that are parties to the deed have guaranteed to pay any deficiency in the event of winding up of any subsidiary that is a party to the deed or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

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32 Parent entity

	2020 \$'M	2019 \$'M
Current assets	–	0.1
Total assets	3,568.6	3,596.1
Current liabilities	7.7	19.9
Total liabilities	646.5	589.4
Issued capital	2,688.7	2,678.2
Retained earnings	209.2	304.1
Reserves	24.2	24.4
Total equity	2,922.1	3,006.7
(Loss)/profit for the period	(14.9)	249.3
Total comprehensive (loss)/income for the period	(14.9)	249.3

The parent entity guarantees the contractual commitments of its subsidiaries as requested.

33 Financial risk management

The Group is exposed to market risk, credit risk and liquidity risk. The Group has in place a Treasury Policy that focuses on managing these risks. The policy is reviewed by the Audit and Risk Committee and approved by the Board. The treasury activities are reported to the Audit and Risk Committee and Board on a regular basis with the ultimate responsibility being borne by the Chief Financial Officer (CFO).

The Group's overall financial risk management focuses on mitigating the potential financial effects to the Group's financial performance. The Group also enters into derivative transactions to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

(a) Market risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate risk and commodity price risk.

Foreign currency risk

Foreign currency risk arises as a result of having assets and liabilities denominated in a currency that is not the Group's functional currency (balance sheet risk) or from transactions or cash flows denominated in a foreign currency (cash flow risk).

At 30 June 2020, the Group held cross-currency interest rate swaps (CCIRS) to protect against USD interest rate and currency exposures in relation to USD denominated USPP Notes. The Group does not have any other material foreign currency risk exposures.

Interest rate risk

Interest rate risk is the risk that the fair value of the financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Group's exposures primarily relate to its exposure to variable interest rates on borrowings and fair value changes relating to USD denominated borrowings.

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33 Financial risk management (continued)

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	30 JUNE 2020		30 JUNE 2019	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'M	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'M
Fixed rate instruments				
CEFC facilities	4.6	89.7	4.8	99.4
Lease liabilities ¹	3.6	437.3	4.7	134.4
		527.0		233.8
Variable rate instruments				
Bank and other loans	1.6	111.5	2.7	480.9
USPP Notes ²	1.7	426.9	—	—
		538.4		480.9

1 Lease liabilities at 30 June 2019 relate to finance leases as defined in AASB 117 Leases. Upon adoption of AASB 16 Leases on 1 July 2019, leases which were previously classed as operating leases have been brought on balance sheet as lease liabilities. Refer to note 22 and 41 for further details.

2 At 30 June 2020, the Group held CCIRS to protect against USD interest rate and currency exposures in relation to USD denominated USPP Notes. The CCIRS economically transform the fixed rate USD denominated debt into variable rate AUD denominated debt. Under the terms of CCIRS the three month Bank Bill Swap Rate plus a weighted average margin of 1.61% is paid quarterly to the bank counterparties in AUD and fixed semi-annual amounts in USD are received equal to meet the interest payments due to the USPP Noteholders. The principal amounts of US\$270.0 million are also exchanged at drawdown and maturity for A\$397.6 million under the terms of the CCIRS.

The Group's AUD fixed rate borrowings are carried at amortised cost and therefore not subject to interest rate risk since neither the carrying amount nor the future cash flows will fluctuate due to a change in market interest rates.

An analysis of the interest rates over the 12-month period was performed to determine a reasonably possible change in interest rates on the variable rate borrowings. A change of 100 basis points in interest rates, based on borrowings at the reporting date, would have decreased/increased net finance costs by an estimated \$5.4 million (2019: \$4.8 million).

Commodity price risk

The Group is exposed to market prices of various commodities. The primary sources of the Group's exposures are: paper, cardboard, plastics and glass from its recycling and manufacturing activities; oil and oil-derived products used as inputs in its Group operations and sold through its hydrocarbons business; and electricity used in Group operations and sold through its landfill operations.

Commodity price risk exposures are actively managed via various strategies including; a centralised commodity trading desk focused on maintaining and developing access to domestic and international markets; contracted sale and purchase agreements; improving the quality of commodity extracted through education, pricing structures and investment in technology; transferring or sharing commodity price risk with customers and suppliers; moving downstream in the supply chain; and maintaining offsetting exposures such as buying oil and oil-derived products but also selling oil products through the hydrocarbons business. The Group does not currently use derivative products to hedge its commodity price exposures.

Following agreement in August 2019, the Council of Australian Governments (COAG) is moving to ban the export of certain waste recyclable materials progressively from early-2021 through to mid-2024. The exports bans will increase the amount of waste material that is recycled and processed into value added products in Australia. All levels of Government are committed to supporting the waste industry through this transformation through various initiatives, including making available direct grants of which Cleanaway has been a beneficiary. Cleanaway is actively working to manage the risks but also capture the downstream opportunities these changes present.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations, with the maximum exposure being equal to the carrying amount of these instruments. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. For certain export sales the Group requires the vendor to provide a letter of credit.

The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers. In addition, receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to expected credit losses is minimised.

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33 Financial risk management (continued)

Credit risk on foreign exchange contracts including cross-currency interest rate swaps (CCIRS) is mitigated as counterparties are large Australian and international banks with acceptable credit ratings determined by a recognised ratings agency. Credit risk from cash balances and other financial instruments with banks and financial institutions is managed by the Group in accordance with the Group's Treasury policy where it only deals with large reputable financial institutions. The Group's maximum exposure to credit risk at the reporting date was:

CARRYING AMOUNT	NOTES	2020 \$'M	2019 \$'M
Cash and cash equivalents	11	79.8	56.2
Trade and other receivables	12	348.1	382.0
Other financial assets		22.1	16.5
		450.0	454.7

Refer to note 12 for an analysis of credit risk and impairment associated with the Group's trade receivables balance.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective is that the Group has access to sufficient cash resources to meet its financial obligations as they fall due, including taxes and dividends, and to provide funds for capital expenditure and investment opportunities as they arise.

The Group regularly reviews existing funding arrangements and assesses future funding requirements based upon known and forecast information. The Group's liquidity position is reported to the Board on a monthly basis.

The headroom in the Group's syndicated facilities at 30 June 2020 is \$421.1 million (2019: \$317.9 million). The current portion of the Group's borrowings at 30 June 2020 is \$0.4 million (2019: nil). The Group considers liquidity risk to be mitigated due to the level of unutilised facilities available, the level of headroom in each covenant measure and the maturity profile of existing facilities.

The following table discloses the contractual maturities of financial liabilities and derivative financial instruments, including estimated interest payments and excluding the impact of netting agreements:

	< 1 YEAR \$'M	1-2 YEARS \$'M	2-5 YEARS \$'M	> 5 YEARS \$'M	CONTRACTUAL CASH FLOWS \$'M	CARRYING AMOUNT \$'M
2020						
Non-derivatives						
Unsecured borrowings	19.7	19.3	282.0	539.2	860.2	628.1
Lease liabilities ¹	72.4	66.8	175.7	161.8	476.7	437.3
Trade and other payables	271.0	–	–	–	271.0	271.0
Other financial liabilities	28.3	31.6	41.4	186.6	287.9	155.2
Total	391.4	117.7	499.1	887.6	1,895.8	1,491.6
Derivatives						
Cross-currency interest rate swaps						
inflow	11.4	11.4	34.3	448.9	506.0	n/a
(outflow)	(6.8)	(6.8)	(20.4)	(430.3)	(464.3)	n/a
Total	4.6	4.6	13.9	18.6	41.7	30.0
2019						
Non-derivatives						
Unsecured borrowings	20.6	20.6	584.0	130.4	755.6	580.3
Lease liabilities ¹	23.0	21.9	64.4	49.2	158.5	134.4
Trade and other payables	257.5	–	–	–	257.5	257.5
Other financial liabilities	24.9	26.3	34.9	192.6	278.7	139.4
Total	326.0	68.8	683.3	372.2	1,450.3	1,111.6

¹ Lease liabilities at 30 June 2019 relate to finance leases as defined in AASB 117 *Leases*. Upon adoption of AASB 16 *Leases* on 1 July 2019, leases which were previously classed as operating leases have been brought on balance sheet as lease liabilities. Refer to note 22 and 41 for further details. The contractual commitments of lease liabilities excludes extension options which are reasonably certain to occur but are not contractually committed. If these extension options were included it would increase the future commitments by \$82.0 million.

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For the year ended 30 June 2020

33 Financial risk management (continued)

The Group has bank guarantees and insurance bonds in place in respect of its contractual performance related obligations. These guarantees and indemnities only give rise to a liability where the Group fails to perform its contractual obligations.

In the event that the Group does not meet its contractual obligations, these bank guarantees and insurance bonds are callable and the Group becomes liable to repay amounts paid by the bank or insurer. Refer to note 35(c) for details of the Group's bank guarantees and insurance bonds.

(d) Fair value measurement and hedges

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy on the basis of nature, characteristics and risks and described as follows based on the lower level of input that is significant to the fair value measurement as a whole.

Level 1 – the fair value is calculated using prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels during the year.

The following table provides the fair value measurement of the Group's financial instruments which have been valued using market observable inputs (level 2), including interest and foreign currency rates and models using present value and future potential exposure calculations where applicable:

	FIXED RATE BORROWINGS MEASURED AT AMORTISED COST		DERIVATIVES MEASURED AT FAIR VALUE
	CLEAN ENERGY FINANCE CORPORATION \$'M	USPP NOTES (HEDGED ITEMS) \$'M	CCIRS ¹ (HEDGING INSTRUMENTS) \$'M
2020			
Opening fair value of asset/(liability) as at 1 July 2019	(109.9)	–	–
Fair value on recognition/derecognition	10.5	(397.6)	(3.1)
Movement relating to changes in AUD or USD interest rates			
Fair value hedges	–	(40.5)	39.5
Other	(0.4)	–	(1.0)
Movement relating to change in AUD/USD exchange rates			
Cash flow hedges	–	6.5	(5.1)
Movement relating to change in AUD/USD currency basis	–	–	(0.3)
Closing fair value of asset/(liability) as at 30 June 2020	(99.8)	(431.6)	30.0
Carrying amount of asset/(liability) as at 30 June 2020	(89.7)	(426.9)	30.0
Accumulated fair value adjustments on the hedged items	–	(34.0)	n/a
2019			
Opening fair value of asset/(liability) as at 1 July 2018	(90.9)	–	–
Fair value on recognition	(10.0)	–	–
Movement relating to changes in AUD interest rates	(9.0)	–	–
Closing fair value of asset/(liability) as at 30 June 2019	(109.9)	–	–
Carrying amount of asset/(liability) as at 30 June 2019	(99.4)	–	–
Accumulated fair value adjustments on the hedged items	–	–	n/a

¹ Fair value movements in interest rates related to the hedging instruments of \$39.5 million (2019: nil) includes an effective portion of \$40.5 million (2019: nil) and an ineffective portion of \$(1.0) million (2019: nil). Fair value movements in exchange rate cash flow hedges includes an effective portion of \$(6.5) million (2019: nil) and an ineffective portion of \$1.4 million (2019: nil). The notional amount of the derivatives are US\$270.0/\$397.6 million.

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For the year ended 30 June 2020

33 Financial risk management (continued)

(d) Fair value measurement and hedges (continued)

The cross-currency interest rates (CCIRS) are hedging instruments in designated fair value and cash flow hedging relationships. The hedging relationships are expected to remain effective as:

- There is an economic relationship between each hedged item and hedging instrument where the fair value of the hedged item and the hedging instrument substantially offsets each other. This economic relationship is assessed on a qualitative basis by comparing the critical terms of the hedge items with the hedge instruments. These critical terms are contracted and expected to remain unchanged for the term of all hedged items and matching hedging instruments;
- The effect of credit risk does not dominate the value changes that result from the economic relationship. The Group expects counterparties, and likewise itself, to maintain high creditworthiness over the period of the economic relationship; and
- The hedge ratio of each hedging relationship is maintained at a ratio of 1:1. The 1:1 ratio is determined by allocating all amounts of the hedged items to notional amounts of hedging instruments with matching terms and vice versa.

The main source of ineffectiveness expected in the hedging relationships relates to debit and credit adjustments (CVA/DVA) which reflect changes to future potential exposures and the credit risk of the counterparties and as well as the credit risk of the Group.

The hedged items in the fair value hedges are the US\$270.0 million USPP Notes and the hedged risk is movements in fair value relating to changes in USD interest rates excluding credit margins. The fair value movements in the fair value hedges are recorded in net finance costs in the Consolidated Income Statement.

The hedged items in the cash flow hedges are the US\$270.0 million USPP Notes and the hedged risk is variability in expected payments relating to changes in the AUD/USD exchange rates. The effective portion of the cash flow hedge fair value movements relating to the CCIRS is recognised in the hedge reserve through other comprehensive income. Effective amounts accumulated in the hedge reserve relating to the cash flow hedges are reclassified through other comprehensive income to net finance costs in the same period that the cash flow hedge fair value movements relating to the USPP Notes are recorded in net finance costs in the Consolidated Income Statement. Any ineffective portion relating to the cash flow hedges are recorded directly in net finance costs in the Consolidated Income Statement.

The fair value movements of the CCIRS relating to changes in AUD/USD currency basis are excluded from the hedging relationships and recognised in the hedge reserve through other comprehensive income.

Refer to note 8 for amounts recorded in net finance costs and 18(a) for amounts recognised in the hedge reserve.

34 Contingent liabilities

On 18 August 2014, a Cleanaway vehicle was involved in a motor vehicle accident on the South Eastern Freeway in Glen Osmond, South Australia. The incident resulted in the death of two members of the public, and two other persons were seriously injured. During the year ended 30 June 2017, Cleanaway was charged with work health and safety offences in relation to the incident and there is a potential that other claims may emerge in due course. The extent of Cleanaway's liability and the timing for these matters to be resolved is not known at this time.

Certain companies within the Group are party to various legal actions or commercial disputes or negotiations that have arisen in the normal course of business. It is expected that any liabilities or assets arising from these legal actions would not have a material effect on the Group.

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35 Commitments

(a) Lease commitments under AASB 16 Leases

The Group leases property, plant and equipment over terms generally not exceeding 10 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. As at 30 June 2019, lease commitments were classified as either non-cancellable operating lease commitments or finance lease commitments as defined under AASB 117 Leases. From 1 July 2019, on adoption of AASB 16 Leases, those leases which were previously classified as operating leases, except for short-term and low-value leases, were brought on balance sheet as lease liabilities. There is no longer a distinction between a finance and operating lease commitment, but rather a single classification being 'lease commitments'. Refer to note 33(c) for the contractual maturities of lease liabilities and note 41 for change in accounting standards.

Year ended 30 June 2019

Operating lease commitments under AASB 117 Leases

Future minimum rentals payable under non-cancellable operating lease rentals were payable as follows:

	2019 \$'M
Within one year	41.6
Between one and five years	104.9
More than five years	113.1
	259.6

Finance lease commitments under AASB 117 Leases

The Group held finance leases for various items of property, plant and equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the net present value of minimum lease payments were as follows:

	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF PAYMENTS
	2019 \$'M	2019 \$'M
Within one year	23.0	17.1
Between one and five years	86.4	71.0
More than five years	49.2	46.3
Total	158.6	134.4
Amounts representing future finance charges	(24.2)	–
	134.4	134.4

(b) Capital expenditure and other commitments

Significant capital expenditure contracted at the end of the reporting period but not recognised as liabilities is as follows:

	2020 \$'M	2019 \$'M
Property, plant and equipment	28.9	35.8
Intangible assets	0.2	0.8
	29.1	36.6

(c) Guarantees

The Group is, in the normal course of business, required to provide guarantees and letters of credit on behalf of subsidiaries, joint ventures and associates in respect of their contractual performance related obligations. These guarantees and indemnities only give rise to a liability where the entity concerned fails to perform its contractual obligations.

	2020 \$'M	2019 \$'M
Bank guarantees outstanding at balance date in respect of contractual performance	145.7	141.5
Insurance bonds outstanding at balance date in respect of contractual performance	46.2	31.8
	191.9	173.3

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For the year ended 30 June 2020

36 Share-based payments

Total share-based payment expense included in the Consolidated Income Statement is set out in note 18(b).

Performance rights outstanding at the reporting date consist of the following grants:

OFFER	GRANT DATE	END OF PERFORMANCE OR SERVICE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2019	GRANTED DURING THE PERIOD	VESTED DURING THE PERIOD	FORFEITED/ EXPIRED DURING THE PERIOD	PERFORMANCE RIGHTS AT 30 JUNE 2020
LONG-TERM INCENTIVE PLAN							
2017 LTI (A)	7 Oct 2016	30 Jun 2019	2,093,186	–	(1,818,982)	(274,204)	–
2017 LTI (B)	2 Nov 2016	30 Jun 2019	2,370,716	–	(2,060,153)	(310,563)	–
2018 LTI	3 Nov 2017	30 Jun 2020	3,191,302	–	–	(62,647)	3,128,655
2019 LTI	2 Nov 2018	30 Jun 2021	3,178,764	–	–	(52,557)	3,126,207
2020 LTI	30 Oct 2019	30 Jun 2022	–	2,264,786	–	–	2,264,786
SHORT-TERM INCENTIVE PLAN							
2018 STI	26 Oct 2018	30 Jun 2019	504,416	–	(504,416)	–	–
2019 STI	30 Oct 2019	30 Jun 2020	–	220,975	–	–	220,975
OTHER GRANTS							
2019 TII	26 Oct 2018	30 Jun 2020	1,686,657	–	–	(111,888)	1,574,769
Total			13,025,041	2,485,761	(4,383,551)	(811,859)	10,315,392
Vested and exercisable at 30 June 2020							220,975

The vesting date for LTI offers and the 2019 TII offer is on or after 14 days after the date on which the annual financial results of the Group for the financial year associated with the end of the performance period is released to the ASX. Other offers vest on or after the end of the relevant performance or service period.

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36 Share-based payments (continued)

(a) Long-term Incentive (LTI) plan

The Cleanaway LTI plan is designed to provide long-term incentives for senior executives to deliver long-term shareholder returns. Under the plan, participants are granted performance rights which only vest if certain performance standards met.

Offers made in previous reporting periods

The following table outlines the terms of the outstanding LTI offers made in previous reporting periods which remain on issue:

PERFORMANCE PERIOD	2018 LTI AWARD UP TO THREE YEARS: 1 JULY 2017 TO 30 JUNE 2020	2019 LTI AWARD UP TO THREE YEARS: 1 JULY 2018 TO 30 JUNE 2021
Overview	<p>Performance rights, of which:</p> <p><i>Measured over three years to 30 June 2020</i></p> <ul style="list-style-type: none"> Up to 50% vest if a certain relative TSR ranking is achieved against the constituents of the S&P/ASX 200 Industrial Sector Index Up to 25% vest if a certain Return on Invested Capital target is achieved Up to 25% vest if a certain Earnings per Share Compound Annual Growth Rate target is achieved 	<p>Performance rights, of which:</p> <p><i>Measured over three years to 30 June 2021</i></p> <ul style="list-style-type: none"> Up to 50% vest if a certain relative TSR ranking is achieved against the constituents of the S&P/ASX 200 Industrial Sector Index Up to 25% vest if a certain Return on Invested Capital target is achieved Up to 25% vest if a certain Earnings per Share Compound Annual Growth Rate target is achieved

Offer made in current reporting period – 2020 LTI award

During the period, the Group issued performance rights attached to the Group's LTI plan to the CEO and other senior executives. The performance rights are subject to three performance hurdles:

- 50% of the performance rights vest if a certain relative TSR ranking is achieved against constituents of the S&P/ASX 200 Industrial Sector Index.
- 50% of performance rights vest if a certain underlying Earnings per Share (EPS) Compound Annual Growth Rate (CAGR) target is achieved.
- The Return On Invested Capital (ROIC) for year ending 30 June 2022 acts as a gateway to EPS CAGR.

Performance rights granted during the period were fair valued by an external party using the Monte Carlo Simulation and Black Scholes model.

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36 Share-based payments (continued)

The following table sets out the assumptions made in determining the fair value of these performance rights:

SCHEME	2020 LTI
Number of rights	2,264,786
Grant date	30 October 2019
Performance period	1 July 2019 – 30 June 2022
Risk-free interest rate (%)	0.78%
Volatility ¹ (%)	30.0%
Fair value – Relative TSR tranche ²	\$0.65
Fair value – EPS CAGR tranche ²	\$1.72

1 Expected volatility is based on the historic volatility of Cleanaway shares over a range of periods.

2 The fair value is reduced to reflect there is no dividend entitlement during the performance period.

The performance targets of the 2020 LTI award are set out in the table below.

Relative TSR performance measured over three years from 1 July 2019 to 30 June 2022	<p>Relative Total Shareholder Return (TSR) Ranking against the constituents of the S&P/ASX200 Industrial Sector Index:</p> <ul style="list-style-type: none"> Below 50th percentile – 0% vesting At 50th percentile – 50% vesting 50th to 75th percentile – straight line vesting between 50% and 100% Above 75th percentile – 100% vesting
EPS CAGR performance as measured over three years from 1 July 2019 to 30 June 2022	<p>Earnings per Share Compound Annual Growth Rate (EPS CAGR) to be achieved:</p> <ul style="list-style-type: none"> < 9.0% – 0% vesting 9.0% – 20% vesting > 9.0% – ≤ 10.5% – straight line vesting between 20% and 50% > 10.5% – ≤ 12.5% – straight line vesting between 50% and 100% > 12.5% – 100% vesting
ROIC performance for the year ending 30 June 2022	<p>Performance rights under EPS CAGR will only vest if ROIC is at least 5.8% or more for the year ending 30 June 2022</p>

(b) Short-term Incentive (STI) plan

The Cleanaway STI plan is an annual plan that is used to motivate and reward senior executives across a range of performance measures over the financial year. Under the plan, participants are granted a combination of cash and rights to deferred shares if certain performance standards are met. The Group uses EBITDA targets as the main performance standard for the STI plan. Vesting of the performance rights granted is deferred for one year.

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36 Share-based payments (continued)

(c) Toxfree Integration Incentive (TII) plan

The Company completed the acquisition of Cleanaway Industries Pty Ltd (formerly Tox Free Solutions Limited), a leading integrated waste management company, on 11 May 2018. The key benefits of the acquisition of Toxfree, in particular the \$35.0 million of initially identified synergies, were targeted to be realised by 30 June 2020.

The one-off TII offer was offered to executives to ensure that executives (including Executive KMP) involved in the acquisition and integration of Toxfree were focussed on exceeding the synergy benefits from this acquisition beyond the synergies initially identified in our business case for acquisition and announced to the market. The TII is an offer of performance rights that was made to certain executives (including Executive KMP) which is equivalent to 50% of their STI opportunity. The key performance condition for the TII plan related to the achievement of Cleanaway EBITDA in the year ending 30 June 2020 that exceeds our internal targets which includes the initial \$35.0 million of synergies identified from the Toxfree acquisition. The performance period under the plan is from 1 July 2018 to 30 June 2020. This plan does not reward the achievement of the forecast synergy benefits, it is designed to reward the delivery of additional savings and outperformance that enhances EBITDA. Whilst the synergies arising from the Toxfree acquisition have exceeded the target of \$35 million, the 30 June 2020 EBITDA performance condition for the plan was not achieved, due to the impact of COVID-19 and other factors. Accordingly, all rights issued under the plan will lapse.

37 Auditor's remuneration

Details of the amounts paid or payable to the auditor and its related practices for audit and non-audit services are set out below.

	2020 \$	2019 \$
Fees to Ernst & Young (Australia):		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	1,593,111	1,383,234
Fees for assurance services that are required by legislation to be provided by the auditor	—	—
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	—	—
Fees for other services	248,068	—
Total fees to Ernst & Young (Australia)	1,841,179	1,383,234
Fees to other overseas member firms of Ernst & Young (Australia)	—	—
Total fees to other overseas member firms of Ernst & Young (Australia)	—	—
Total auditor's remuneration	1,841,179	1,383,234

38 Events occurring after the reporting date

There have been no matters or circumstances that have arisen since 30 June 2020 that have significantly affected the Group's operations not otherwise disclosed in this report.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

39 Related party transactions

(a) Key management personnel

Disclosures relating to Key Management Personnel (KMP) are set out in the Remuneration Report on pages 46 to 62.

The KMP compensation included in employee expenses are as follows:

	2020 \$	2019 \$
Short-term employee benefits	5,338,542	5,698,413
Post-employment benefits	189,032	175,728
Equity compensation benefits	965,732	3,240,120
	6,493,306	9,114,261

Some of the Directors hold, or have previously held, positions in companies with which Cleanaway has commercial relationships which are based on normal terms and conditions on an arm's length basis. Transactions with entities where the relationship is limited to a common Non-Executive Directorship, including any Chairperson roles, are not considered related party transactions. The Board has assessed all of the relationships between the Group and companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interest of the Group.

(b) Wholly-owned Group transactions

The wholly-owned Group consists of Cleanaway Waste Management Limited and its subsidiaries listed at note 30. Transactions between Cleanaway Waste Management Limited and other entities in the wholly-owned Group during the years ended 30 June 2020 and 30 June 2019 consisted of:

- (i) Loans advanced by Cleanaway Waste Management Limited and other subsidiaries;
- (ii) Loans repaid to Cleanaway Waste Management Limited and other subsidiaries;
- (iii) The payment of interest on the above loans;
- (iv) The payment of dividends to Cleanaway Waste Management Limited and other subsidiaries;
- (v) Management fees charged to subsidiaries; and
- (vi) Sales between subsidiaries.

The above transactions are all eliminated on consolidation.

(c) Other related parties

There were no material transactions with, or amounts receivable from or payable to, other related parties during the years ended 30 June 2020 and 30 June 2019, except as presented in note 24.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Revenue

Revenue from sale of commodities

Sale of commodities produced from recycling waste and processing used mineral oils, and the sale of electricity and gas produced from landfills, generally include one performance obligation. Revenue from the sale of commodities is recognised at the point in time when the product is transferred to the customer.

Rendering of services

• Solid Waste Services

Revenue from collection and disposal of waste is recognised when the performance obligation to the customer has been fulfilled, which is generally when the waste has been collected from the customer. Costs to dispose of the waste are generally incurred at, or close to the time of collection.

Variable consideration

Some contracts for the collection of waste or acceptance of waste into the Group's landfills provide the customer with volume rebates. For the majority of contracts, the variability in the contract price is resolved at each reporting date.

Where the variability is not resolved at a reporting date the variable consideration is estimated and, where applicable, revenue will be deferred and reflected in contract liabilities.

Non-cash consideration

In some of the Group's contracts, rebates are provided to customers or collection is provided at a reduced rate where waste is collected that has a value as a commodity to the Group. In these circumstances the Group allocates a fair value to the commodity collected, generally equal to the rebate paid and the value of the collection service, and recognises this as revenue.

• Liquid Waste & Health Services

Revenue from collection and treatment of liquid and health waste is recognised when the performance obligation to the customer has been performed, which is generally when the waste has been collected from the customer and Cleanaway takes title to the waste.

In some circumstances the Group will charge the customer on delivery of a waste container. Under these circumstances the Group assigns a value to the separate performance obligations, being the provision of a container and the subsequent collection of the full container. Revenue received for the collection of the container where the service has not yet been performed will be deferred and is reflected in contract liabilities.

• Industrial & Waste Services

Contract revenue is recognised over time and is measured using the input method by reference to labour hours and actual costs incurred, relative to the total expected inputs required to satisfy the individual performance obligations.

Costs to fulfil a contract

For some larger long-term contracts the Group incurs costs up front to mobilise equipment and organise the workforce in order to commence performing under the contract. This is often the case when larger municipal council contracts, or industrial & waste services contracts in remote areas, are entered into. In these circumstances the upfront costs associated with the contract are capitalised as contract costs and amortised over the term of the contract.

Interest

Interest revenue is recognised on an accruals basis, taking into account the interest rates applicable to the financial assets.

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates or joint venture entities are accounted for in accordance with the equity method of accounting.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(b) Repairs and maintenance

Plant and equipment of the Group is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The cost of this maintenance is recognised as an expense as incurred, except where it relates to the replacement of a component of an asset, or where it extends the useful life of the asset, in which case the costs are capitalised and depreciated in accordance with the Group's policy. Other routine operating maintenance, repair and minor renewal costs are also recognised as expenses as incurred.

(c) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred.

(d) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. With the exception of deferred tax recognised on initial application of IFRS 16 *Leases*, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and all its wholly-owned Australian resident entities are part of a Tax Consolidated Group under Australian taxation law. Cleanaway Waste Management Limited is the Head Entity in the Tax Consolidated Group. The Tax Consolidated Group has entered into a tax sharing and a tax funding agreement.

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not amortised but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that previously suffered an impairment loss are reviewed for possible reversal of the impairment loss at each subsequent reporting date.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(f) Foreign currency

Foreign currency transactions are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement and are reported on a net basis. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, short-term deposits and petty cash balances. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are at-call and earn interest at the respective short term deposit rates.

(h) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known as uncollectable are written off when identified. The Group accounts for impairment losses relating to financial assets by applying a forward-looking expected credit loss (ECL) approach. The Group has applied a simplified approach to determining ECLs and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit losses against the debtors ageing profile, adjusted for forward looking information.

The Group's exposure to credit risk related to trade and other receivables is disclosed in note 33(b).

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the method most appropriate to each particular class of inventory and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(j) Property, plant and equipment

Landfill assets

The Group owns landfill assets. A landfill site may be either developed or purchased by the Group.

Landfill assets comprise the acquisition of landfill land, cell development costs, site infrastructure and landfill site improvement costs and the asset related to future landfill site restoration and aftercare costs (landfill remediation asset).

Landfill land will be recognised separately from other landfill related assets when it is considered to have value at the end of the landfill site's useful life for housing or commercial development. This land is not depreciated; it is carried at its original cost and tested for impairment.

Cell development costs include excavation costs, cell lining costs and leachate collection costs. Cell development costs are capitalised as incurred. Closed cells are capped and may return a future revenue stream to the Group, such as from the sale of landfill gas.

The landfill remediation assets comprise capping costs and costs to remediate and monitor the site over the life of the landfill including post closure. Capping costs together with cost of aftercare (see Provision for landfill remediation in note 40(o)) are recognised upon commencement of cell development. The depreciation, for cell development costs and the remediation asset, is calculated by the tonnes of airspace consumed during the reporting period divided into the total airspace available at the beginning of the reporting period, such that all costs are fully depreciated upon receiving last waste into the landfill. A landfill is deemed full when its permitted airspace is consumed and it cannot legally accept any more waste. Alternatively, a landfill may be deemed full earlier should other factors exist, for example, if it is not economically viable to continue accepting waste.

Site infrastructure and landfill site improvement costs include capital works such as site access roads and other capital costs relating to multiple cells on the landfill site. These costs are capitalised as incurred and depreciated using the useful life of the asset or the life of the landfill up until receiving last waste.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Landfill sales

A landfill may be disposed of as an operating landfill or it may be retained until post-closure and then sold. The Group's policy on landfill sales is as follows:

- If the landfill is sold as an operating landfill, recognise the profit on sale of an asset; or
- If the completed landfill is intended to be sold and meet the relevant requirements, transfer the landfill balance to non-current assets held for sale.

Non-landfill land and buildings

Non-landfill land and buildings are shown at costs less accumulated depreciation. Non-landfill land is not depreciated.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within "other income" in the Consolidated Income Statement.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation of assets, with the exception of landfill remediation and cell development assets, is calculated on a straight-line basis so as to write off the net cost or revalued amount of each asset over its expected useful life to the Group. Leasehold improvements are depreciated over the period of the lease or estimated useful lives, whichever is the shorter, using the straight-line method. Landfill remediation and cell development assets are depreciated on a usage basis over the individual landfill expected life.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Buildings and site improvements	15 to 40 years
Plant and equipment	2.5 to 20 years
Leasehold improvements	5 to 10 years
Landfill assets	1 to 50 years

(k) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business, subsidiary or associate at the date of acquisition. Goodwill on the acquisition of businesses or subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(k) Intangible assets (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the Consolidated Income Statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the costs of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are also capitalised. Other development expenditure is recognised in the Consolidated Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets include customer contracts recognised on business combinations and licences. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite (e.g. brand names). Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of customer contracts are three to 10 years.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Other payables and accruals includes tipping and disposal costs accruals as well as general accruals.

(m) Borrowings

Borrowings are initially recognised at fair value of the consideration received net of issue costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis. Foreign currency exchange gains and losses arising on foreign currency denominated borrowings are recorded in net finance costs in the Consolidated Income Statement.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(n) Leases

The Group leases various property, equipment and vehicles. These leases typically do not exceed 10 years but in some cases contain further renewal rights. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on a fixed index or a rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value, in a similar economic environment, with similar terms and conditions.

Short-term leases and those where the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

The Group has elected for the plant and equipment asset class, not to separate non-lease components from lease components, and instead accounts for all payments under the lease together as a single component.

Variable lease payments

Some leases contain lease payments that are linked to variable components such as volumes of waste collected or landfill revenue. Lease payments which are variable in nature and do not depend on a fixed index or rate are recognised in profit or loss in the period in which they relate.

Extension and termination options

Extension and termination options are included in several lease arrangements across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the lease term, the Group has applied judgement over the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. All property leases on which a prized asset is situated are considered reasonably certain to exercise an extension option.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(o) Provision for remediation and rectification

Landfill remediation and rectification

Landfill sites are constructed to receive waste in accordance with a licence. These licences generally require that once a landfill is full, it is left in a condition as specified by the Environmental Protection Authority (EPA) or other government authorities and monitored for a defined period of time (usually 30 years).

Therefore, remediation occurs on an ongoing basis, as the landfill is operating, at the time the landfill closes and through post-closure. Remediation comprises:

- The costs associated with capping landfills (covering the waste within the landfill); and
- Costs associated with remediating and monitoring the landfill in accordance with the licence or environmental requirements.

The constructive obligation to remediate the landfill sites is triggered upon commencement of cell development. Accordingly landfill remediation costs are provided for when development commences and at the same time a landfill remediation asset is recognised.

The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time and is recognised in current and non-current provisions in the Consolidated Balance Sheet. The annual change in the net present value of the provision due to the passage of time is recognised in the Consolidated Income Statement as a time value adjustment in net finance costs.

Due to the long-term nature of remediation obligations, changes in estimates occur over time. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs, and related to landfill sites which are still accepting waste, is recognised as an addition or reduction to the remediation asset in the Consolidated Balance Sheet. Changes to the remediation provision once last customer waste is received are expensed to the Consolidated Income Statement.

Rectification provisions differ to remediation. Rectification costs must be provided for at a reporting period end when there is an obligation to bring an asset back to the normal operating standard required under the licence and EPA or council requirements. Rectification provisions are calculated based on the net present value of all costs expected to rectify the site. All rectification costs are expensed to the Consolidated Income Statement.

Industrial property remediation

The Group leases and owns industrial properties and operates these sites under license and in accordance with the requirements of the EPA or other government authorities. In addition, under lease agreements, the Group is required to remove infrastructure placed on a site, during the tenancy, and in most cases, return the leased site to its original condition upon entering into the lease, taking into consideration usual wear and tear on the property.

The constructive obligation to remediate industrial properties is triggered upon erecting leasehold improvements to leased sites, or upon any event occurring which has given rise to contamination requiring remediation.

The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time and is recognised in current and non-current provisions in the Consolidated Balance Sheet. The annual change in the net present value of the provision due to the passage of time is recognised in the Consolidated Income Statement as a time value adjustment in net finance costs.

Changes in estimates can occur over time as industrial properties are operated over a long period. Any change in the provision related to site restoration will be adjusted against any related assets on the site. If there is no related asset, changes to the remediation provision are recognised through the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(p) Provisions

A provision is recognised in the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The costs of treating and disposing of waste collected, in accordance with government regulation, are provided for if they have not yet been incurred.

(q) Employee entitlements

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in employee benefits and is measured in accordance with the other employee benefits described above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on the corporate bond rate with terms to maturity and currency that match, as closely as possible, the timing of estimated future cash outflows.

Short-term Incentive (STI) compensation plans

A liability for employee benefits in the form of STIs is recognised when it is probable that STI criteria has been achieved and an amount is payable in accordance with the terms of the STI plan. Liabilities for STIs are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payment transactions

Share-based payments are provided to Executives and employees via the Cleanaway Waste Management Limited Short-term Incentive plan and the Long-term Incentive plan.

Share-based compensation payments are measured at fair value at the date of grant and expensed to employee benefit expense with a corresponding increase in the employee benefits reserve over the period in which the service and, where applicable, performance conditions are fulfilled. Fair value is measured by using the Monte Carlo simulation or the Black Scholes option pricing model, the term of the Performance Right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the Performance Right.

(r) Fair value measurement

The Group measures certain assets and liabilities at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principle market for the asset or liability, or
- In the absence of a principle market, in the most advantageous market for the asset or liability.

The principle or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that the market participants act in their economic best interest. A fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(r) Fair value measurement (continued)

The Group uses the following valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(s) Basis of consolidation

Subsidiaries

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from the contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Income Statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Consolidated Income Statement and within equity in the Consolidated Balance Sheet, separately from parent shareholders' equity.

If the Group loses control over a subsidiary it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the Consolidated Income Statement. Any investment retained is recognised at fair value.

Equity accounted investments

Equity accounted investments are those entities over which the Group has either significant influence (associate entities) or joint control and has rights to the net assets of the entity (joint venture entities). The Group does not have power over these entities either through management control or voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are collectively referred to as "equity accounted investments" in this report.

Under the equity method of accounting, the investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate or joint venture in the Consolidated Income Statement. Dividends received from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40 Significant accounting policies (continued)

(s) Basis of consolidation (continued)

Equity accounted investments (continued)

Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(t) Business combinations

Business combinations are accounted for using the acquisition method, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured using their fair values at the date of acquisition. Goodwill arises in a business combination when the consideration transferred to the acquiree is greater than the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Acquisition related costs incurred in a business combination transaction are expensed as incurred.

(u) Change in accounting policy – Non-landfill land and buildings

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of a certain class of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment using the cost model, except for non-landfill land and buildings which were measured using the revaluation model. The Group has elected to change the method of accounting for non-landfill land and buildings to the cost model to align the accounting method used with the Group's method of accounting for landfill land and to align the accounting with practices adopted by its industry peers. In doing so the Group believes applying the cost model to non-landfill and buildings will be more relevant and comparable to its industry peers. The Group has applied the cost model retrospectively.

After initial recognition, all non-landfill land and buildings are measured at cost less accumulated depreciation. Land is not depreciated.

Impact of change on the Consolidated Balance Sheet at the earliest period presented and as at 30 June 2019:

	30 JUNE 2019 \$'M	30 JUNE 2018 \$'M
Increase/(decrease) of previously reported balances:		
Assets		
Property, plant and equipment	(64.3)	(33.2)
Net deferred tax assets	17.5	8.1
	(46.8)	(25.1)
Equity		
Asset revaluation reserve	(53.9)	(35.5)
Retained earnings	7.1	10.4
	(46.8)	(25.1)

Impact of change on the Consolidated Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019:

	30 JUNE 2019 \$'M
Increase/(decrease) of previously reported balances:	
Revaluation of non-landfill land and buildings	(4.7)
Income tax expense	1.4
Profit after income tax	(3.3)
Revaluation of non-landfill land and buildings (net of tax)	(18.4)
Total comprehensive income for the year	(21.7)

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

41 New standards adopted

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

New and revised Standards, amendments thereof and Interpretations which became effective during the current year and relevant to the Group include:

- **AASB 16 Leases**

AASB 16 supersedes AASB 117 *Leases* and AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* and sets out the principles for recognition, measurement, presentation and disclosure of leases. On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.3%.

Adjustments recognised on adoption

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The below table shows the reconciliation between operating lease commitments at 30 June 2019 and the lease liability recognised at 1 July 2019.

	1 JULY 2019 \$'M
Operating lease commitments as at 30 June 2019	259.6
Discounted operating lease commitments using the incremental borrowing rate at 1 July 2019	215.5
Add: Finance lease liabilities recognised as at 30 June 2019	134.4
Less: Short-term leases	(1.6)
Less: Low-value leases	(1.8)
Add: Differences related to inclusion of extension and termination options	96.7
Less: Differences related to CPI increases not included in the lease liability	(11.8)
Lease liability recognised at 1 July 2019	431.4

Lease liabilities recognised at 1 July 2019 were classified as summarised below:

	1 JULY 2019 \$'M
Current lease liabilities	60.9
Non-current lease liabilities	370.5
	431.4

The associated right-of-use assets for significant property leases were measured as if AASB 16 had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability. Under this approach the Group does not restate its comparative figures but recognises the cumulative effect of adopting AASB 16 as an adjustment to retained earnings at the beginning of the current period.

The recognised right-of-use assets relate to the following types of assets:

	1 JULY 2019 \$'M
Properties	265.8
Plant and equipment	151.5
	417.3

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

41 New standards adopted (continued)

The change in accounting policy impacted the following balance sheet items at 1 July 2019:

	1 JULY 2019 \$'M
Increase/(decrease) of previously reported balances:	
Assets	
Other current assets	(0.3)
Right-of-use assets	417.3
Property, plant and equipment	(132.3)
Net deferred tax assets	3.3
	288.0
Liabilities	
Provisions	(1.4)
Lease liabilities	297.0
	295.6
Equity	
Retained earnings	(7.6)
	(7.6)

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether contracts are onerous;
- The accounting for operating leases with a remaining term of less than 12 months as at 1 July 2019 as short-term leases;
- The Group has not applied the requirements of AASB 16 to short-term leases and those where the underlying asset is of low value;
- The Group has not separated non-lease components from lease components for the plant and equipment asset class;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

42 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020 and have not been applied in preparing these Consolidated Financial Statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

New standards

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
<i>Conceptual Framework for Financial Reporting</i>	1 January 2020	30 June 2021
The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.		
The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The changes to the Conceptual Framework may affect the application of Australian Accounting Standards in situations where no standard applies to a particular transaction or event.		
The likely impact on the Group of adopting the new Conceptual Framework has not been determined.		

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes together with the additional disclosures included in the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section s295A of the *Corporations Act 2001* for the financial year ended 30 June 2020; and
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the closed Consolidated Group identified in note 30 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Directors.



M P Chellew
Chairman and Non-Executive Director



V Bansal
Chief Executive Officer and Managing Director

Melbourne, 25 August 2020

Independent Auditor's Report

to the Members of Cleanaway Waste Management Limited



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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cleanaway Waste Management Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Independent Auditor's Report

to the Members of Cleanaway Waste Management Limited



1. Carrying value of existing non-current assets, including brand name and goodwill

WHY SIGNIFICANT

At 30 June 2020, the Group held \$1,894.6 million in intangible assets with indefinite useful lives. These intangible assets comprise goodwill and brand names and are monitored by the Group at an operating segment level. In accordance with the requirements of Australian Accounting Standards, the Group tests these indefinite useful life assets for impairment at least annually using a discounted cash flow model to determine value in use.

The assessment of the carrying value of the intangible assets (the impairment test) incorporates judgements and estimates relating to discount rates, forecast revenue, EBITDA growth rates and levels of capital expenditure. In addition, various assumptions have been made for economic variables such as commodity prices, GDP growth rates and inflation rates as well as expected outcomes from the execution of operational efficiencies. The Group also considered the potential impact of COVID-19 on their forecast revenue and expenditure. Given these judgements, this was a key audit matter.

Note 23 of the financial report provides disclosure related to the Group's impairment testing and highlights the impact of reasonably possible changes to key assumptions.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit procedures included testing the integrity of the discounted cash flow models and evaluation of the assumptions and methodologies used by the Group. We involved our valuation specialists to assist in the execution of these audit procedures.

In respect of the Group's discounted cash flow models, we:

- Assessed the assumptions in the Group's board approved forecasts, including any underlying cashflow impacts from COVID-19;
- Considered the current year actual results in comparison to prior year forecasts in order to assess forecast accuracy;
- Assessed the key assumptions in comparison to available independent economic and industry forecasts;
- Assessed the assumptions for terminal growth rates;
- Considered whether cost savings were reasonable;
- Considered the capital expenditure forecasts;
- Assessed the discount rates through comparison with the weighted average cost of capital of comparable businesses;
- Considered comparable businesses valuation multiples as a cross-check of the Group's cash flow model outcomes; and
- Performed a sensitivity analysis in respect of the key assumptions which would be required for the intangible assets to be impaired and assessed the likelihood of those changes arising.

We also assessed the adequacy of the disclosures made in the financial report, in particular those that had the most significant effect on the determination of the recoverable amount of the intangible assets.

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Independent Auditor's Report

to the Members of Cleanaway Waste Management Limited



2. Valuation and completeness of the rectification and remediation provisions

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Under the <i>National Environment Protection Council Act 1994</i> the Group has an obligation and responsibility to rectify and remediate the land in which landfill activities occur. These obligations must be accounted for in accordance with Australian Accounting Standards.</p> <p>At 30 June 2020, the Group held \$301.3 million in rectification and remediation provisions. The rectification and remediation provisions were based on discounted cash flow models and incorporated critical estimates in relation to capping, post closure and rectification costs and an appropriate cost escalation rate, the timing of expected expenditure, the possibility of new practices and methodologies being available in the future and the determination of an appropriate discount rate. These estimates were developed based on the specific plans for each site, taking into consideration historical experience and emerging practice in relation to rectification and remediation activities.</p> <p>Because of the subjective nature of the estimates involved in accounting for rectification and remediation obligations, this is a key audit matter.</p> <p>Note 27 of the financial report provides further detail on the rectification and remediation provisions.</p>	<p>Our audit procedures included testing the mathematical integrity of the discounted cash flow model and evaluation of the assumptions and methodologies used. We involved our land remediation specialists to assist in the execution of these procedures.</p> <p>With respect to the Group's rectification and remediation provisions, we:</p> <ul style="list-style-type: none">• Assessed the competence, qualifications and objectivity of both the Group's internal and external experts used in the determination of the provisions;• Assessed the cost estimates for capping, post closure and rectification activities with reference to available external data and relevant Environment Protection Authority regulations and correspondence; and• Assessed discount rates and the resultant impact on the provision balance with reference to observable market inputs. <p>We also assessed the adequacy of the Group's disclosures in the financial report regarding rectification and remediation obligations.</p>

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

to the Members of Cleanaway Waste Management Limited



Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

to the Members of Cleanaway Waste Management Limited



Auditor's Responsibilities for the Audit of the Financial Report (continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 46 to 62 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Cleanaway Waste Management Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Brett Croft
Partner
Melbourne

25 August 2020

Other Information

Top 20 Shareholders as at 14 August 2020

RANK	NAME	UNITS	% OF UNITS
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	628,662,206	30.60
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	425,623,211	20.72
3	CITICORP NOMINEES PTY LIMITED	250,000,712	12.17
4	NATIONAL NOMINEES LIMITED	136,986,366	6.67
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	125,368,634	6.10
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <MLPRO A/C>	70,319,696	3.42
7	BNP PARIBAS NOMS PTY LTD <DRP>	51,031,180	2.48
8	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	27,546,823	1.34
9	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	25,935,028	1.26
10	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	25,515,861	1.24
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	23,248,642	1.13
12	MILTON CORPORATION LIMITED	11,250,000	0.55
13	BNP PARIBAS NOMS (NZ) LTD <DRP>	8,821,035	0.43
14	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	6,796,691	0.33
15	EQUITAS NOMINEES PTY LIMITED <PB-601750 A/C>	5,418,844	0.26
16	MIRRABOOKA INVESTMENTS LIMITED	3,550,000	0.17
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,332,981	0.16
18	AVANTEOS INVESTMENTS LIMITED <ENCIRCLE IMA A/C>	3,025,781	0.15
19	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	3,022,081	0.15
20	AMP LIFE LIMITED	3,016,792	0.15
Top 20 Holders of Fully Paid Ordinary Shares		1,838,472,564	89.50
Total Remaining Holders Balance		215,693,242	10.50
Total Fully Paid Ordinary Shares on Issue		2,054,165,806	100.00

Substantial Shareholders

Substantial shareholders as shown in shareholding notices received by the Company as at 14 August 2020 are:

Cooper Investors Pty Ltd	108,856,695
Marathon Asset Management LLP	108,510,035

An entity has a substantial shareholding if the total votes attaching to shares in which the entity and their associates have a relevant interest is 5% or more. The list of the 20 largest shareholders is based on the number of shares held in the name of each shareholder on the register of members, even if the shareholder holds the share as a nominee (i.e. no beneficial or relevant interest in the shares). The list of the 20 largest shareholders of the Company and the list of substantial shareholders of the Company differ for this reason.

Statement of Quoted Securities

The Company's total number of shares on issue as at 14 August 2020 was 2,054,165,806 ordinary fully paid shares.

As at 14 August 2020, the total number of shareholders owning these shares was 17,794 on the register of members maintained by Computershare Investor Services Pty Ltd.

89.50% of total issued capital is held by or on behalf of the 20 largest shareholders.

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Voting Rights

Under the Company's Constitution, every member present is entitled to vote at a general meeting of the Company in person or by proxy or by attorney or, in the case of a corporation, by representative, and shall, upon a show of hands, have one vote only.

Proxies – Where a member is entitled to cast two or more votes it may appoint not more than two proxies or attorneys. Where a member appoints two proxies, neither proxy is entitled to a vote on a show of hands.

Poll – On a poll, every member entitled to vote shall, whether present in person or by proxy or attorney or, in the case of a corporation, by representative, has one vote for every share held by the member.

At 14 August 2020, there were 10,094,417 performance rights on issue to 42 executives under the Company's incentive schemes. Voting rights are not attached to the performance rights unless they have been exercised into ordinary shares.

Distribution Schedule of Shareholders

NO. OF SHARES	1–1,000	1,001–5,000	5,001–10,000	10,001–100,000	100,001 AND OVER	TOTAL
	4,144	5,944	3,210	4,249	247	17,794

The number of shareholders each holding less than a marketable parcel of the Company's ordinary shares (\$500 in value) based on the closing price of \$2.19 on 14 August 2020 was 438.

Securities Exchange Listing

The shares of the Company are listed on the Australian Securities Exchange under the code CWY.

Company Secretary

Dan Last

Registered Office and Principal Office

Level 4, 441 St Kilda Road, Melbourne, VIC 3004. Telephone: +61 3 8397 5100

Share Registry

Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford, VIC 3067. Telephone: 1300 850 505 (within Australia) and +61 3 9415 4000 (outside Australia).

Please contact the Share Registry if you have any questions in relation to your shareholding or wish to update your contact details, banking details, communication preference or DRP election. You can also update your details online by visiting <http://www.computershare.com.au/easyupdate/CWY>.



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A top-down view of a washing machine drum, showing the central agitator and the surrounding tub. The entire image is overlaid with a blue color gradient, giving it a clean, modern feel. The text "CLEANAWAY" is positioned at the top center, and the website "cleanaway.com.au" is at the bottom center.

CLEANAWAY

cleanaway.com.au