

28 November 2022 | Strategy Deep Dive | Speaker Notes

Cover

Good morning, everyone. Thank you for joining us for the second of our deep dives into our Blueprint 2030 strategy.

Today we will focus mainly on some of our operational excellence blueprints together with how our landfill optimisation blueprint helps to deliver sustainable customer solutions.

I will take the disclaimer on the next page as read.

Disclaimer

Agenda

As you can see from the agenda on slide 3, we will be covering a broad range of related topics and you will have the opportunity to hear from several members of the Cleanaway team.

Rather than give you their backgrounds I have asked them to introduce themselves at the start of their relevant sections.

So, in terms of the agenda, I will provide introductory comments around the strategy and progress we have made.

Chris will take you through the Customer Connect blueprint.

Alex will take you through Data & Analytics and Fleet Optimisation.

Taku will talk to our leadership in Carbon & Circularity with a particular focus on Landfill Optimisation.

Michael will cover Core Processes & Lighthouse Branches and Paul will talk to financial goals and capital allocation framework.

I will recap and bring it all together for you at the end.

Frank and Richie are also with us this morning and will be available with the rest of the team to answer questions after the formal presentation.

We will take questions from the floor initially and for those joining via webcast please send through your questions via the platform. We will be monitoring them and we will try to get through as many as possible.

Introduction divider

Blueprint 2030 Growth Framework

Moving to slide 5. This is a slide we have shared with you before, and it is how we think about our business and our strategy.

Through our growth framework, our strategic pillars build upon each other to generate superior shareholder value while providing customers with great service and value for money and sustainable solutions.

Starting on the left-hand side our current business is well diversified across all sectors of the economy and our contracts with our customers have inflation protection mechanisms. Together this drives GDP plus growth to our core business and creates the opportunity to deliver operating leverage as the business grows.

Under our Operational Excellence pillar, we will align our culture with our strategy and extend our performance culture to the frontline to both deliver for today and improve for tomorrow. We will better connect our frontline teams to our business, be branch led and work together for continuous improvement.

We will be able to work smarter through the data & analytics and digitisation programs that we are rolling out and which you will hear about today from Alex. It's through these programs and how we use them that we will achieve a step change in operational productivity.

Under our Strategic Infrastructure Growth pillar, we will continue to invest to extend our recycling and landfill diversion infrastructure and services platforms. In addition our innovation blueprint ensures we are well positioned to capture opportunities from emerging at-scale waste streams to meet the country's and our customers future recycling needs.

And under our Sustainable Customer Solutions pillar, we will integrate our prized assets for circularity, carbon and seamless customer service. We will create products and services to provide our customers with access to integrated platforms that best meets their needs and the evolving shape of their waste leading to growth in market share through our compelling customer proposition of service and value and sustainability.

Our 14 Blueprints – How we deliver our strategy

As I have outlined before, the strategy is very detailed and has specific blueprints that address the key opportunities that we have identified. Within each of these blueprints are clearly defined, specific and coordinated objectives and goals that will deliver our target outcomes.

Our 14 Blueprints – 7th June Focus Areas

In our session on the 7 June this year we focussed on the left-hand side, which covered the Strategic Infrastructure Growth blueprints. As we won't be focusing on that section today, I will take this opportunity to give you a brief progress update on some of those blueprints.

On Energy-from-Waste, we continue to make good progress across each of projects. We have identified our preferred site for our Energy from Waste development in Queensland. Subject to our final due diligence we expect to complete the site acquisition in the coming weeks.

In C&D, we have created a separate C&D (Construction & Demolition) business unit given the distinctive characteristics and requirements that waste stream has compared to our general C&I business.

On organics, we are currently undertaking a FOGO processing trial at GRL - this trial is designed to further understand the capacity of the plant and the quality of the compost produced over time. As part of the trial, we are leveraging our advanced resource recovery facility at Kemps Creek to simulate the indoor maturation that we are proposing to develop at the GRL facility. This trial is

being conducted with part of the plant running MSW inerting mode and the rest running FOGO and hence simulates the transition mode.

Our pipeline of innovation projects continues to move at pace. We intend to assemble a privileged set of high circularity low-carbon infrastructure assets that will meet the evolving needs of our customers. For example, you may have seen in the media last week, we are making good progress on our feasibility study for a soft plastics circular solution in joint venture with Qenos. This proposal has the potential to manage over 100k tonnes of soft plastic that is currently destined for landfill.

Finally, and while I can't name names today, our IWS team have recently negotiated a significant contract with a Tier 1 energy player. This will enable us to put additional capital to work at attractive returns and pick up on the energy transition growth vector. The team continues to build its pipeline of these attractive large contract opportunities.

Our 14 Blueprints – Today's Focus Areas

So, moving to today's focus, which is the right-hand side of the page. These are the blueprints that really get at improving the profitability of the existing business by working smarter, rather than harder. It is about providing our people with the tools that make it easier to get it right and providing a better experience for our customers by making us easier to deal with.

I will now hand you over to Chris who will take you through the CustomerConnect blueprint.

CustomerConnect divider

Thanks Mark and good morning, everyone.

Customer Connect – Business Dimensions

I'm Chris Avramopoulos and I've been with Cleanaway for just over 2.5 years. Amongst my accountabilities in Cleanaway is our customers.

Pretty early in the piece I realised that our systems and processes didn't help our people provide the best possible experience for our customers when dealing with us. The other thing I noticed was that we are a high transaction, geographically spread business, with lots of people working hard to service our customers.

For you to appreciate why we need CustomerConnect, I want to firstly share some dimensions of our business. Through other presentations you will be aware that we have over 250 branches that service over 150,000 C&I customer and millions of Australians on a day-to-day basis through our municipal contracts.

While our frontline teams do the heavy lifting in terms of delivering the services, our dedicated team of around 250 customer service officers, 280 sales representatives and 350 administrative staff stitch the end-to-end processes together to ensure we continue to have satisfied customers

On a monthly basis we execute ~1.6 million individual C&I/C&D services and ~ 5 million municipal services. We receive about 92,000 inbound calls from customers, establish ~600 new customers per month excluding our national accounts and we process about 1500 sales leads.

Naturally, when talking about such large numbers even a small percent of issues or errors can result in a material amount of work to resolve.

Despite these challenges, in our solids business we are hitting around 99% services in full on time or SIFOT. Notwithstanding, the 1% shortfall leads to around 15,000 issues per month split roughly evenly across service and customer issues. A 2% invoice inaccuracy rate leads to around 1,800 reissued invoices per month.

CustomerConnect – What is it?

So what's it all about? CustomerConnect will improve our Call to Cash process – that is from when a customer contacts us, for whatever the matter, through to collecting the cash.

Here's a short animation that is typical of the types of service and customer issues we experience daily, and how CustomerConnect will resolve them. <Play Video>

It's obvious why we are going to change! You need to have processes and systems that help you get better, but there's a nuance. You also need to appreciate things go wrong and you need to recover well. Customers appreciate things go wrong, but they want us to put things right seamlessly. That's what we're designing for.

CustomerConnect will improve customer experience and employee satisfaction – it will give our people the tools to support our customers. And it will create a competitive advantage. Many of our customers want a seamless, hassle free, out of mind experience. In doing so we expect to be able to expand margins through significant efficiency, improve organic growth and reduce customer churn.

CustomerConnect will make us world class in leveraging digital and customer experience. Here's some examples of how we will do that.

First, we will deliver best practice first call resolution. This is the ability to solve a customer's query or issue first time. We are going from about 30% to 75%. We will do this by streamlining real-time information directly to the customers, reducing the thousands of calls we get from our customers daily to address a variety of needs from change of service to pick-up status to invoices or complaints.

Second, we will improve our employee experience by leveraging the latest tools and digitising our internal processes and empowering our employees to service our customers more efficiently. This will significantly reduce our highly manual and time-consuming processes that have multiple hand off points. Our employees will be more satisfied in their roles leading to improved attraction and retention rates in hard to fill administrative role.

Third, we will be able to respond in a timely manner through quality data and real time analytics – This is where there will be an intersection with what you will hear from Alex shortly. As an example, we will be able to feed real time 'smart leads' to our sales teams.

CustomerConnect – Key benefits

Outstanding service is a core part of our strategy at Cleanaway.

CustomerConnect is all about how we integrate our assets together to deliver seamless services to our customers. Whether it's a large retailer who wants to access a report real time that shows the carbon impact of waste management or a small customer who needs an extra service in a peak period. By doing all this really well, we will deliver organic growth, increased market share and lower churn.

For all our customers:

- We want to be easy to deal with
- We want to be even more reliable than today
- We want to know of issues immediately and fix them quickly.
- We want to provide accurate information that customers value when they need it

We will significantly simplify and eliminate many tasks that we are currently doing. For example, some of our fleet still operates with no technology, which means our drivers are dealing with paper that needs to be handed off and processed in order to trigger an invoice.

CustomerConnect – Progress Update

So, I have covered a lot around the why and the how and what we will deliver. So where are we at.

We have just completed our Pre-Execution or planning phase. We will commence implementation early in the new year, after we have selected our external delivery partners.

The project business case covered both the core systems (our foundational functionality) that is required to operate in a business-as-usual manner on a platform that is secure, supportable and scalable. Many of our current systems fall short of being able to deliver this. We've had the business case externally reviewed with a focus on cost, timeline, governance and benefits. It was found to be robust.

In line with the current timetable, we expect to have the first release rolled out towards the end of FY24, with subsequent releases expanding functionality and reach across the business.

The total project cost, which includes delivering the foundational functionality, will be approximately \$100m, with approximately 50% of that in Release 1. The foundational functionality is something we need to do irrespective of CustomerConnect.

In aggregate we are targeting more than \$8 million of EBIT coming largely from cost savings that we have clear line of sight of. We also believe there is further revenue upside. The growth and efficiency investment will generate high double-digit IRR (Internal Rate of Return), with some of the benefits flowing from the first release, with the majority from release 2.

There is a growing excitement across our organization with the benefits this program will bring. I hope you can see the need for such a program and the competitive advantage it will bring to Cleanaway.

I will now hand you over to Alex to give you an overview of BP10, Data & Analytics. [1:35]

Data & Analytics and Fleet Optimisation Divider

Thanks Chris. Good morning, everyone

My name is Alex Smith and I'm the General Manager of Commercial. Amongst other things I am responsible for Financial Planning, Pricing, Commodity Sales and Data & Analytics. I've been with Cleanaway for almost 6 years

Today I am going to present two blueprints to you, Data & Analytics and Fleet Optimisation

Data & Analytics Overview

About 2 years ago, we first spoke about Data & Analytics and the opportunities available by understanding the profitability of our customers and by optimising our runs. Since then, Data & Analytics has become one of the key Blueprints in our Operational Excellence Pillar.

The Data & analytics program fits perfectly in our Blueprint 2030 strategy, as it is all about 3 things;

Firstly, enabling our teams to make better decisions, in near real time, by improving the data quality, utilising the wealth of data points we collect on our customers and delivering actionable insights

Secondly, improving productivity and engagement by working smarter – less manual data manipulation, so our teams can focus on value add

Thirdly, utilising the insight to drive efficiency gains and operational improvements, leading to margin expansion

Importantly, this BluePrint is well planned and established, has been delivering tangible financial benefits and requires minimal capital.

Data & Analytics – Program Overview

Our data & analytics Blueprint has 4 key programs;

1. The Data Infrastructure and Governance – when we first embarked on this program 2 years ago, we had no data infrastructure within Cleanaway, and data extraction was done manually by users from source systems, and then cleansed on an individual's laptop. Today, we have implemented and developed our data lake, enterprise data warehouse, ingested several of our key source systems, cleansed and standardised data and defined our key metrics.
2. Reporting & Business Intelligence – Focused on creating reports and dashboards for our operational teams to use to run the business, migrating us away from large excel files and data manipulation and creating standardised reporting across the group.
3. Insights Delivery – Key Programs of work focussed on improving margin through identifying and driving key value drivers within the business, for example, our revenue leakage program. I'll be giving you some examples of this in a moment.
4. Advanced Analytics – to commence in FY24/25, building on the work completed in the first three programs to predict future behaviours and drive change.

The first three programs are progressing well, and we have been delivering incremental financial benefits into the business over the past 2 years through our revenue leakage program.

As I am sure you can appreciate, our heavy reliance on paper-based scheduling, worksheets and reporting creates a lot of challenges when rolling out a Data and Analytics program. As the business becomes more digitised through the CustomerConnect program, the D&A program should go from strength to strength, proving more immediate actionable insights – and assisting with Chirs' world class first call resolution ambition.

Data & Analytics – Margin Expansion

One of the examples I wanted to discuss today was how we can improve margins of our existing customers by infilling our routes, thereby increasing the number of customers we service on a run.

As a result of COVID we saw a lot of customers review their service schedule – either placing it on hold during lockdown or reducing the frequency of service. Despite our sales teams' efforts, we have seen some of these frequency changes stick, reducing the number of pickups we do on a specific run, and making each remaining pickup more expensive on a per lift basis.

The Targeted Business Development Program was designed to provide sales teams with leads for customers that were in areas where our existing run has low density. The tool creates heatmaps over underperforming geographic locations and then identifies customers in the area that are not being serviced by Cleanaway. The tool creates an opportunity in Salesforce for our Sales Team to action. Because we are already servicing the area (and potentially driving past the bin), the incremental cost to pick up the bin is minimal, and we can offer the potential customer sharp pricing. The addition of the customer then results in the same amount of cost being applied to a greater number of bins, reducing our unit cost to serve.

The trial was completed earlier this year, and we are in the process of a National Campaign.

In the example on the right, you can see that we travel over 13km or 20 minutes on a route between two customers. The Tool has identified the streets highlighted in the oval as opportunities to infill this route.

The tool also really shows the synergies between Customer Connect and our Data & Analytics Program. It will provide real time analytics for our Customer Team, to assist in scheduling and booking customers. For example, knowing that on Wednesday we have lots of capacity from low density runs, we could offer more competitive pricing to help infill the route. Conversely, if a customer requires a Friday or Monday service, where we are quite full, we will offer a premium.

Fleet Optimisation Overview

The second BluePrint I am going to discuss is Fleet Optimisation. This BluePrint is really focussed on;

- Creating a safer and more engaging workplace for our frontline teams through
 - fleet replacement and management of our cost per operating hour, and
 - improving the technology in our fleet and providing our teams with access to data and smarts to help them run their business
- It is also focusing on optimising our routes to drive improvements in our lift cost
- Empowering our branches with tools to drive performance improvements, leaning heavily on the work being undertaken by the Data & Analytics Program
- Improving the efficiency of the workshop and the fleet safety through digitisation of the fleet maintenance programs

Like Data & Analytics, this BluePrint has a lot of synergies with Customer Connect – it is also well developed, has low risk and minimal capital requirements.

Fleet Optimisation – Key Workstreams

So, what are we actually doing as part of this Blueprint - There are 3 key programs of work that are being undertaken

1. Optimising Routes & Reducing Truck Idle Time
2. Optimising our Labour Mix and Fleet Operating Costs and
3. Digitising the workshop/ reviewing maintenance schedules

I am going to give a brief overview of the first two and then go into some detail with an example on the third workstream.

Within our Solid Waste Services C&I Collections business, we achieve operational leverage through driving efficiencies in our cost/lift. Our cost/lift includes our major costs being labour, fuel, r&m and is driven by the number of hours we spend on the road and the number of kilometres driven. To improve the efficiency, there are two key actions;

- Ensuring our routes are dense (as we discussed in our Data and Analytics example) and;
- Ensuring we take the most efficient route to collect our customer's waste

In most of our branches, the drivers and operational teams plan their routes on whiteboards each morning. Whilst the teams do this to the best of their ability, they don't have the visibility or the tools to optimise the routes. It's also a process that takes 30-45 minutes each morning – time where we are paying our drivers, but not generating revenue. Over the past 18 months we've been working on cleaning up our customer data and developing tools to not only display our routes and customers sites visually, but also provide recommendations on how to optimise our routes – through re-sequencing the order we collect their bins.

The second program of work is around optimising our labour mix and driving efficiency through our costs per operating hour. We use a combination of company drivers, owner drivers and subcontractors to service our customers, each of which have a different cost structure associated with them. The workstream seeks to work through the optimal mix of these labour and r&m models whilst balancing our fleet purchasing requirements.

The final workstream, looks more at optimising our workshops and maintenance schedules and will be discussed on the next slide.

We have already rolled out program of activity for each program of work with the targeted benefits starting to flow into the business.

Fleet Optimisation – Digitising workshops

Currently our workshops use a lot of paper. We complete over 400,000 workorders for fleet maintenance every year. Each workorder has about 10 pages attached to it, so that's over 4,000,000 pieces of paper that we generate to complete maintenance on our fleet.

Each workorder is also manually completed – so mechanics are writing the details of the work performed by hand and then passing it to our admin teams to then input into our operational systems. Often these workorders have information missing that require further clarification before they can be input. All of this results in an increase in non-productive time.

We've embarked on a program to digitise our workorders, which means deploying tablets into each of our workshops to replace the current paper, pen and clipboard. We should see significant productivity gains from the workshop and our admin teams. The additional capacity will also result in more fleet maintenance work being internalised.

Digitising our workorders also reduce the number of errors that are made, and improved compliance through real time updates to our operational systems. We are looking to have all workorders digitised by the end of calendar year 2024.

I will now hand over to Taku who will present on our leadership in Carbon & circularity.

Landfill Optimisation – Divider slide

Thank you, Alex. Good morning.

My name is Taku Ide and in my role as the Head of Carbon, I am responsible for setting Cleanaway's climate aligned targets.

Between 2000 to 2011, I had the opportunity to learn under world's academic leaders in climate science, and under their mentorship, I researched deeply on Carbon Capture and Storage and developed a patent to extinguish underground coal fires that contribute to greenhouse gas emissions globally.

Upon graduating from my doctorate program in 2011, I worked closely with global businesses, public sectors, Sovereign Nations and universities to deliver greenhouse gas emissions risk management strategies.

Cleanaway's mission "To make a sustainable future possible, together" made it an easy choice for me to join the company to make a difference in the world of climate. The word "together" signalled that this was a humble organisation committed to collaboration; and climate challenges and opportunities will require various stakeholders to come together to deliver innovative solutions. The sheer number of customers we serve was attractive as well. It meant that there will be opportunities to design and deliver a wide array of climate aligned products and services.

The support I have received from the Board, members of the Executive Team, my peers and the passion of everyone at Cleanaway have only strengthened my belief that this is the right organisation where I can make a positive contribution.

Cleanaway's announced emissions targets vs. FY22

In August of this year, we announced our emissions reduction targets that are consistent with keeping the atmosphere from warming above 1.5C by the end of this century compared to 1850. Consistent with leading science, we split our emissions targets into methane (CH₄) and carbon dioxide (CO₂), which are the two primary greenhouse gases that we emit. 80% of our emissions today are methane, and the remaining 20% come from CO₂.

The targets that we have set are also consistent with Australia's recently announced 2030 targets and the Global Methane Pledge.

Activities that underpin the reduction of each of these greenhouse gases differ:

- Methane emission reduction is achieved primarily through increasing the capture rate of landfill gas, while

- CO2 emissions reduction is achieved through reducing emissions from fleet, electricity, and natural gas use.

We prioritize reducing emissions from landfills, first because most of our emissions is from methane, and because mass for mass, reducing methane emissions is approximately equivalent to removing 28 times the amount of CO2 from the atmosphere on a 100-year time scale. Today, we will unpack the landfill gas capture initiative in detail.

We acknowledge, however, that reducing CO2 will be required to meet climate goals, and we are actively exploring trials to reduce emissions from our fleet, which is our biggest CO2 emissions footprint.

Capturing landfill gas is key to meeting our emissions targets

This next slide we presented in June, and we revisit it to restate the exciting and emerging opportunities at the intersection of waste and carbon.

As a refresher, the IPCC diagram on this slide depicts the global carbon cycle, and we have identified three ways in which the waste sector intersects with the world of carbon.

A helpful way to navigate this diagram is to divide it into two halves – the upper half with the arrows, and the lower half that highlights the waste sector relevance.

Focusing on the top half of the figure, the arrows show carbon sources and sinks, where upward arrows show carbon entering the atmosphere, and downward arrows show carbon being removed from the atmosphere. Fossil fuel sources, the grey arrow, are the predominant sources of carbon into the atmosphere, along with land use changes.

Once carbon is released into the atmosphere, the carbon can be reabsorbed back into land, remain in the atmosphere, or dissolve in the ocean. This is shown by the light green downward arrow, the blue dot, and the green downward arrow, respectively.

The carbon sources and sinks establish a new, higher equilibrium as more carbon is released, and the atmospheric concentration of CO2 will continue to rise so long as we continue to release the carbon that is stored in the subsurface today.

Shifting our attention to the bottom half of the figure, three areas of opportunity for the waste sector are highlighted.

By reducing methane emissions from our landfill, which is 80% of our emissions, we satisfy opportunities 1 and 2 in this figure by reducing the use of virgin fossil fuels as well as by supplying lower carbon energy sources.

Gas capture systems reduce fugitive emissions from landfills

This slide is an illustration of how we capture methane today and how we might beneficially reuse the methane that we capture.

Working from left to right on this diagram, fugitive emissions are the portions of the landfill gas that escape to the atmosphere, and these are shown with arrows from the top of the landfill. This is the

emissions that we report from our landfills in our annual NGERs reporting and what we want to reduce.

To minimise the fugitive emissions, we need to maximise gas capture. To maximise gas capture, we are now working closely with the landfill gas engineering team to progressively install gas capture wells in concert with operations.

The gas captured is approximately 50% methane and 50% biogenic CO₂. At minimum, the captured landfill gas is burned in a flare. By transforming methane into biogenic CO₂, we achieve a climate benefit. You might wonder how transforming one greenhouse gas into another greenhouse gas could be beneficial for the climate. There are two reasons. First, methane captures 28 times the solar energy that reflects from earth's surface than CO₂, so converting methane into CO₂ allows more of the reflected energy to escape into space.

Second, when landfill gas is burned, biogenic CO₂ is created. The key difference between biogenic CO₂ vs. CO₂ emitted from burning fossil fuels is that while biogenic CO₂ is CO₂ that would have eventually entered the atmosphere through a natural carbon cycle, CO₂ from burning fossil fuels is carbon that would have otherwise stayed locked within Earth's subsurface had we not burned it.

The destruction of methane at landfills is recognised as an emissions reduction activity through the creation of Australian Carbon Credit Units.

We move to the right side of the diagram that illustrates potential reuses of the methane. At sites where there is enough methane produced, we can repurpose the gas for beneficial reuse. Currently we generate and deliver over 190,000 MWh of renewable electricity into the grid, which is enough electricity to power over 38,500 Australian homes.

At one of our landfills, we also supply our raw, untreated landfill gas through a local gas pipeline to an industrial customer to support their carbon-neutral products, as landfill gas is classified as a renewable energy. Under current market conditions, we see further opportunities to advance new and similar projects.

Future beneficial use could include the production of compressed natural gas, the distribution of upgraded landfill gas through intrastate gas networks and using the gas as a feedstock to produce hydrogen.

Any post-processing option we pursue will convert methane into biogenic CO₂ and yield the same environmental benefit as burning methane in a flare. We will continue to monitor and explore various technologies as they evolve to ensure we are deriving the highest economical value from the landfill gas we capture.

Capture efficiency (CE) is improving at all our landfills

This next slide provides tangible evidence of the real progress that we are making to reduce fugitive methane emissions aligned to our announced emissions reduction targets.

Over the last five months, we have been rectifying, expanding and enhancing gas collection infrastructure at sites where we have operational control with respect to landfill gas. We have increased the monthly capture rate by 700,000 cubic metres, and this uplift gives us confidence that we can meet our long-term emissions targets.

Benefits from meeting our methane emissions targets can be passed onto our customers to lower their Scope 3 emissions footprint associated with waste service.

This improvement is underpinned by reconnection of 30+ wells, and installation and drilling of 118 wells consisting of 28 horizontal wells and 90 new vertical wells. We plan to install and drill an additional 200 wells in FY23.

Under the current market conditions and ACCUs regime, we will be able to meet our return thresholds on the incremental capital expenditure to increase gas capture to meet our emissions reduction targets. Future investment decisions will consider the balance between meeting our emissions target and return on incremental capex spend.

Leadership in Carbon is aligned to Cleanaway's mission

We move onto the final slide, and this is one that I have also presented before.

At the heart of our decarbonisation vision is enhancing our customer experience, and we believe that our efforts to be climate aligned will complement our customers' climate aspirations.

Our ambition is to reduce our emissions in accordance with the Paris Agreement to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels.

We are now on a path to deliver this ambition, which gives us the confidence and credibility to offer decarbonisation products and services to our customers from our key strategic infrastructure in the future. We are engaging and informing our customers of our carbon journey, and we are receiving positive feedback on how our focus will help to fulfill their climate and sustainability goals.

Through CustomerConnect, we will look to automate the capability to track the carbon footprint of services associated with our key customers to transform our customer's carbon experience. This is also a powerful use case of how real time data analytics that Alex presented before can be applied. We will continue to on-board our customers' needs and requests and reflect them in both customer connect and carbon programs.

To conclude, we leave you with the next steps in the carbon program, which include:

- Building and refining marginal abatement cost curve (MACC) for Cleanaway to identify and develop investment opportunities to decarbonise
- Capturing decarbonisation opportunities with uniquely positioned strategic infrastructure, and
- Developing carbon solutions that are closely aligned to customers' aspirations

I will now pass you over to Michael.

Operating Model divider

Core Process Overview

Thanks Taku. Good morning, everybody.

My name is Michael Bock. I am the EGM for Enterprise Services and Integration. I've been with Cleanaway for almost 5 years where amongst other things I have managed the ToxFree and SRN integrations, and I am currently leading the workstream that monitors and ensures Blueprint 2030 is delivered effectively.

When thinking of continuous improvement, we look at two major areas: core processes and site-based processes

First, I will start with core processes.

Core processes are the backbone; these are the processes that are common across the business at all our sites.

We want to ensure that everyone performs core process work in an identical way.

Our core processes have a strong focus on ensuring safety, compliance and efficiency.

Our employees are involved in the design of these core processes which ensures that they reflect what needs to happen in the real world of our branches.

And more importantly, our employees are active participants in continuously improving core processes.

We have a central, IT system already installed to capture suggested improvements, which will enable us to make these core processes better over time.

This central system is accessible to everyone in the organisation and once we make an improvement, it will automatically flow through the company.

Implementing smart, core processes in a company with such a large footprint as Cleanaway is a game changer to ensure a best practice way of operating.

Core Processes - First six processes prioritised, with work commenced via dedicated teams

We have an expert central team who are deeply experienced in this type of work.

We have identified our first six core processes and have work underway on the first three.

I know that core process is a new concept for many in the room.

Let me use the first one on the slide as an example to highlight how it works.

Management of change could be something like introducing a new piece of equipment into a site.

The core process would address questions such as:

- What are the risks associated with this equipment and what are the corresponding controls to manage that risk?
- What training needs to be done?
- What maintenance is required?
- How does adding this equipment change the flow of production?
- Do other pieces of equipment now need to be adjusted?
- Etc.

The management of change core process provides a standard way of managing these risks so that we do not experience any unintended consequences.

We will know that change is managed to the same high standard across Cleanaway regardless of whether the site is in Melbourne or Karratha or Bathurst.

This slide describes at a very high level the first six core processes:

- Management of change
- Manage contract which includes contractors on site
- Manage fixed assets
- Manage incidents and learning
- Manage technical competence; and
- Safe system of work

Operational Excellence Overview

We talked about core process which is the same process carried out identically across the enterprise.

Our Operational Excellence work is about the processes that are unique to a site.

Our goal is to make operations at sites compliant, more efficient and more profitable.

We are using Lean techniques and teaching our sites how to identify opportunities and build more efficient processes.

Although we have a small group of coaches, the real success of the program comes from the operators at site identifying and working through the improvements.

Our operators and drivers know how work is done and they often have the best ideas on how to improve it.

Another key element of the program consists of daily management systems to bring visibility to operations which ensures that production is closely monitored and areas for improvement stand out.

Operational Excellence – Lighthouse Sites – Improving Safety and Flow

On this page, we introduce a concept in our Operational Excellence work which is “Lighthouse Sites.”

We have identified ten sites across our business that cover all business units.

The concept of Lighthouse Sites is to identify improvements at a type of site and then seed those improvements across our network to accelerate improvements.

Over the next three pages, I will highlight real examples of work we are doing with our process improvement.

On this page, we have an example of improving safety and flow from one of our transfer stations.

In the before diagram, you can see how we traced the flow of traffic by type of waste or customer.

Our proposed solution is to move the location of the weighbridge which removes the loops and also eliminates vehicles having to reverse.

The end result is a safer site, especially for members of the public who drop off at a busy transfer station.

In addition, we will also be able to reduce the amount of time that drivers are at the facility which is a real productivity gain.

Operational Excellence – Lighthouse Sites – Generating Capacity

On this page, I would like to share an example of generating capacity at our existing sites.

These images show work we have done on reducing dock turnaround time at our Cleanaway Daniels Health Services facility in Silverwater.

In this trial, the starting position to unload a truck of its full medical waste containers and then reload the truck with empty containers to be delivered to hospitals took 51 minutes.

We applied quick changeover techniques to take the time down to 12 minutes, which was a 76% reduction in time.

The types of techniques consisted of:

- pre-staging a load on the dock
- synchronising both the driver and dockhand in loading and unloading; and
- separating out the scanning and weighing steps

We expect further improvements as we gain more insights into the new flow.

Operational Excellence – Lighthouse Sites – Reducing Costs

In this last example, I would like to provide an example of reducing costs.

The image shows a heat map of truck congestion at our Lucas Heights landfill.

Our aim is to get more trucks and loads through the facility.

Insights that emerged from this work include a range of actions that will reduce cost such as the three shown on this slide:

- 1st: Modifying the schedule of truck movements from transfer stations to landfills such that the arrivals are during periods of low usage so that trucks do not wait extended periods
- 2nd: Dropping off trailers at landfills and then switching over to a tractor in order to tip the trailer at the landfill face which allows the truck and driver to get back on the road quickly to retrieve the next load; and
- 3rd: Changing how we weigh trailers at the transfer station to maximise the amount loaded, as a trailer that is fuller means reduced numbers of runs

I will now pass over to Paul on the overall financial impacts of the Operational Excellence Pillar.

Financial Contribution & Capital Allocation

Operational Excellence Pillar to Drive Margin Improvement

Thanks Michael. Good morning, everybody.

As I hope you will appreciate from the presentations today, there is a lot of activity across our operational excellence blueprints.

What I want you to take away is that we have a coordinated program of projects that are fully resourced and that have already started to deliver benefits.

At our last strategy deep dive in June, we said that we would incur an additional \$15m in corporate costs. You've seen today some examples of where we have invested in the business today to generate future returns.

The initiatives discussed today span the entire business from more effective selling to more efficient delivery of service to delight our customer, streamlining the back office and digitizing the workshop, optimizing our landfills and capitalizing on the landfill gas opportunity.

They have already started to deliver incremental contributions to our earnings.

We expect to see further momentum build into FY24 and we are targeting for our operational excellence blueprints to contribute more than \$30 million in incremental EBIT by FY25/26

The activities we are doing in Blueprints 10 to 14 are tangible examples of how we will improve the EBIT margin of our current operations. We expect improved operational leverage as labour availability increases and inflation flattens. We will also have the contributions from the SRN and the GRL acquisitions.

As the market continues to transition and we grow the business by executing on more of our strategic infrastructure growth initiatives, the mix of contributions to earnings will be different to the past. We see strong EBIT and ROIC accretion through the delivery of the strategy, which is our focus when it comes to financial performance.

Moving now to the next slide where I will touch on capital allocation and returns.

Disciplined Capital Allocation Framework to Drive Improved Returns

Our over-arching principle of maintaining a strong balance sheet remains and it gives us the flexibility to flex our leverage ratios from time to time where it makes sense to do so.

When it comes to capital allocation our disciplines continue to improve.

This includes taking learnings from post investment reviews into our investment processes, having greater visibility of pipeline of capital projects to ensure the best projects are advanced and not merely the ones that meet our investment hurdles. A simple example of improvements underway is that we are standardising our municipal tender template and checklist to capture learnings from previous municipal tender PIR's.

We are also improving and refining our risk assessment process.

We have also introduced a clear distinction between HS&E, Stay in Business, Cell development, GHG reduction and Growth capex. As Taku alluded to in his section, for example, we have distinguished

between the growth opportunity we see from greenhouse gas reduction activity compared to the gas capture and flaring that we consider stay in business capex.

When it comes to deploying capital for growth opportunities our benchmark is always relative to a return of capital to shareholders. As the Blueprints are delivered, we forecast a steady improvement in ROIC, adjusting for the unproductive capital work in progress while major infrastructure facilities are being developed and constructed.

I also want to emphasise the point that Mark and I have made on many occasions before. While we see M&A as an opportunity to accelerate Blueprint 2030, the strategy was not developed with an M&A dependency. We will always look for the organic build where possible. We will consider bolt-on transactions where organic solutions are not available.

As we have done in the past, we will also look to joint ventures to share risk where cross value-chain collaborations are essential to deliver the most sustainable and circular solutions.

Finally, with increasing costs of debt finance we have sharpened our focus on ensuring the risk-adjusted returns of our projects are credible and achievable.

I will now pass you back to Mark for some final remarks before Q&A.

Wrap up

Thanks Paul and to the rest of the team.

I hope what you take away from today is that there is a lot of thoughtful work going on at Cleanaway.

I also hope that having the opportunity to hear from the team members that are at the coal face of each of these blueprints give you a better appreciation of the opportunities we are pursuing.

Today's focus was all about operational excellence and that phrase can often get bandied about without any real substance to it. It should be clear from today's presentations that we are going after are significant and tangible opportunities that exist within our existing business.

Some of the work that we are doing is about getting the right foundations in place from which we can grow the business - and we want to be able to grow sustainably. That means ensuring the business can grow profitably whether it be in a fast growth environment or a market that is transitioning and presenting new opportunities.

Having a set of core processes, a digitised business, and smart analytics will be key to our success.

Our lighthouse branches will inform what operational excellence looks like at our branches and once the learnings are embedded will become part of our DNA.

I'm sure you have lots of questions for me and the team, so I'll leave it there and open it up to the floor.