Metro Performance Glass Limited
(the Company, Metroglass)

Minutes of the 2022 Annual Shareholders' Meeting ("ASM")

Date and time:	Tuesday 9 August 2022 at 10.00am
Venue:	Virtual meeting portal (via Link Market Services) at: www.virtualmeeting.co.nz/mpg22.
Present:	Peter Griffiths, Chair Jenn Bestwick, Director Julia Mayne, Director Rhys Jones, Director Graham Stuart, Director and approximately 100 other Company shareholders *(either in person on virtually)*
Apologies	None
In attendance:	13 Metroglass staff, including: Simon Mander, CEO Brent Mealings, CFO Tracy Taylor, Company Secretary Troy Florence, PwC James Cooney, Bell Gully Brendan Jarvis (and team), Link Market Services and several other visitors (not shareholders, directors, or employees)

---

1. Welcome and preliminary comments

The Chair, Mr Peter Griffiths:

- Welcomed shareholders to the meeting in person and online and reminded shareholders that they can vote and ask questions (whether attending in person or online)
- Introduced the Company's directors and senior management present at the meeting, and noted that detailed director biographies were provided in the Company's 2022 annual report, as well as in the Notice of Meeting for retiring directors
- Outlined the meeting agenda
- Advised that representatives of the Company's auditors (PwC), legal counsel (Bell Gully) and share registry (Link Market Services) were also in attendance
- Confirmed that the Notice of Meeting for the ASM had been sent to all persons entitled to receive it, and that there was a quorum of shareholders present at the meeting.

2. Chair's address

The Chair, Mr Peter Griffiths began by acknowledging that FY22 was a hard and challenging year for the business and confirmed that the Board recognised that the bottom-line result was disappointing.

The Chair noted that the business had to operate through a range of complex pressures, all while seeking to ensure the business was able to supply to customers' requirements consistently, and safely. The business was heavily impacted by the pandemic for a further year, by local effects through sickness and absences of staff and those of Metro's direct customers, and also by the restrictions placed on the New Zealand community, particularly in Auckland, where the business lost many days of sales while continuing to incur the associated costs. He noted that across the construction sector the ongoing effects continued to be felt for a number of months after the restrictions were eased, and in some cases are still with us today.

The Chair noted that there were also more global impacts, principally on the supply chain, where Metro is still experiencing high costs and unreliable shipping schedules, and the rapidly rising costs of raw materials. He explained that during the latter part of FY22 the business moved to re-establish gross margin by applying a series of price increases, these actions also continuing into the current year. These are the two main factors that have contributed to a lower profit and reduced operational cash flows for the period. The working capital increased driven by a greater volume of stock, and the cost increases of that inventory, this also had a flow through effect to debtors.

The Chair explained that despite the reduced operating cash flow, the group elected to continue with the majority of the capital program, which was largely made up of long lead items. He noted that improved double glazing and furnacing capacity place Metro in a strong position ahead of the significant regulatory changes in New Zealand, that are coming into effect from November this year. The capital investments and working capital changes have meant that net debt increased during the year and the associated cover ratios consequently declined. At year end the Group was still within the agreed covenant boundaries and lenders have been supportive. The Chair noted that the Group has now passed the peak and expect to see debt reducing once again, providing the global and local effects of the pandemic continue to diminish.

The Chair also acknowledged that the group operates in a competitive marketplace with an overhang of processing capacity. In NZ, efforts to diversify the customer portfolio are progressing well and there have been significant changes in the customer base during the year. Sales in some segments and geographies have grown strongly, while the business has maintained position in others. Operations in Australia continue to improve. Metroglass' reputation as a reliable supplier of high-quality double-glazing is reflected in increasing sales demand and the associated improvement in bottom line performance. The Chair acknowledged customers do have a real choice of suppliers and the strategic focus on customer relationships, service performance and product quality has helped to sustain the group's market leadership position.

The Chair noted that some economic indicators are showing early signs of a decline in construction activity. Residential construction costs are rising and will dampen demand eventually. Looking ahead a continuation of challenging times can be expected.

The New Zealand building code changes aimed at providing better performing New Zealand homes will mean a significant increase in the use of high value (LowE) glass, this will further increase the cost to build a house, and this will come at a time of rising interest rates, housing affordability challenges and inflationary pressures in the construction sector. And of course, Covid is still with present and as we have seen can have a material impact at quite short notice. The Board and management continue to monitor a wide range of inputs and indicators and are preparing for a number of potential outcomes including reducing demand.

The Chair explained that with this expectation of a challenging future, the board remains focussed on ensuring that the company is a successful and enduring glass processor, and to do that it needs steady cash flows and a solid balance sheet. He reiterated that debt had increased during the year and the associated ratios deteriorated and as the business moves away from the pandemic effects of last year and cash flow is restored, focus returns to debt reduction once again. As consistently communicated, the Board continue to aim for that elusive ratio of 1.5 times net debt to EBITDA, and when that occurs and other circumstances allow, the Board will be in a position to consider declaring a dividend.

In conclusion, the Chair, on behalf of the board, thanked Metroglass employees for their determination and resilience during this period and, customers, suppliers and shareholders for their continued commitment and support through another incredibly challenging year.

3. Chief Executive Officer's (CEO) address

The CEO, Simon Mander, welcomed shareholders attending in person and online, and thanked the Chair. He began by recognising people right across the Metroglass group. The pandemic presented significant challenges for the Company's teams again this year and noted that their resilience had ensured that the Company had continued to deliver market leading products and services to customers.

Reflecting on FY22 the CEO noted that, in New Zealand operations were shut for a sizable period as a result of the lockdowns in August and September 2021. The immediate impacts of the lost production days while still incurring the costs, and the flow on impact on inventory holdings, supply disruption and escalating input costs, significantly impacted financial performance. The CEO noted that Australian Glass Group progressed on their turnaround plan, with stable operational performance and delivered a modestly improved EBIT result even despite the impacts of Covid-19 and the heavy flooding in New South Wales. While net debt increased in the financial year, the Company has built buffer into inventory levels to deal with ongoing supply chain disruption and invested in a series of capital items that are set to improve our capacity, quality, and capability, for the future home insulation changes in both NZ and Australia.

The CEO noted that he was proud of the progress made in the group's environmental, social and governance commitments. He also noted that safety performance continues to improve, and this remains a key focus for the leadership team. The apprenticeship scheme provides development opportunities for our people to grow. 79 staff are currently enrolled in the programme and 8 apprentices qualified during the year. The CEO also noted that the business is also beginning to bring together a sustainability programme of initiatives, with a focus for the coming year on understanding the group's carbon emissions and the actions to reduce this over time, along with the climate risk related disclosures in future reporting periods.

The CEO provided information to shareholders regarding 5R Solutions. Metroglass is in the process of converting its loan in 5R solutions Limited to a 50% equity position, which will be equity accounted in the financials in future reporting. The CEO explained that 5R are a glass recycling business capable of processing the full spectrum of waste flat glass that is generated by commercial and post-consumer markets and includes all of the processing glass waste from Metroglass. 5R have two reprocessing facilities in Auckland and Christchurch that recycles the glass into various new life products, such as glass wool insulation and filter mediums. The CEO noted that the business is proud to be partnering with 5R. As the largest processor of flat glass in New Zealand the business has the opportunity and responsibility to take positive action towards sustainable outcomes for our communities and the environment.

The CEO shared some significant achievements in the past year:

- In the 2022 Window and Glass Association Awards, Metroglass won the Designing with Glass – residential award. The architect designed a ship's bow protected wind break which was installed by the Metro Direct Whangarei team using large and heavy toughened single glazed units.
- Metroglass was also the finalist in many other awards, including the New Zealand Health and Safety awards – Business Leaders' Health and Safety Forum Leader of the Year, reflecting Metroglass' continued drive for safety and wellbeing performance.

In summarising the Company's FY22 results, the CEO noted the following points:

- Group EBIT of $5.9 million was at the low end of our range of February guidance.
- The impact of the New Zealand shutdown during the year was severe. The rapid escalation of input costs also had a significant impact on profitability compared to last financial year.
- The leverage ratio is above the capital management targets and, consequently, the focus for the FY23 will be on essential capital and debt reduction.
- While net debt has increased from last year, the group has built contingency in inventory holdings to navigate ongoing supply chain disruptions and invested in future capital equipment capability in both NZ and Australia.

The CEO discussed the results of the Company's latest customer survey, conducted in May 2022, noting that these surveys provide vital feedback on Metroglass and AGG's offering, the strength of customer relationships, and importantly provide key areas for improvement. Overall, the ratings in New Zealand and Australia were largely consistent with previous surveys despite prolonged covid-19 operating challenges throughout the year. Customers were complimentary of the Company's people, communication and customer service, and overall responsiveness to their needs. The supply disruptions right across the industry are also of concern for customers, and the Company continues to make efforts to reduce volatility and impacts within our supply chain.

The CEO then provided an outline of the supportive regulatory changes occurring in both Australia and New Zealand. In Australia, the CEO reminded shareholders that the 2022 National Construction Code changes that are to be introduced early in the 2023 calendar year have been mentioned previously. The changes to the thermal performance requirements are like that seen in New Zealand in 2007/08. This change will necessitate the use of a minimum standard of double glazing be used to achieve the standard in the colder climates of Australia. In some cases, where standard aluminum frames are used there will also be a higher demand for Low E double glazing. NCC changes in 2019 were for commercial buildings, and the AGG business saw an update in double glazing sales as a result.

The CEO explained that in New Zealand, the Ministry for Business, Innovation and Employment are introducing changes to the minimum thermal performance requirements for compliance with the building code H1 Energy Efficiency. This is the first major change since the introduction of Double Glazing in 2007/08. The CEO noted that there was a significant amount of detail available in the MBIE consultation documentation, and presented a summary as follows:

- New Zealand will move from the current 3 climate zones to 6, reflecting the differing local climates across the country, with each zone being set new thermal performance requirements for insulation – glass being one of them.
- Currently, to comply with the building code a complete window, including the frame, must achieve a R0.26 thermal performance, and this is applied to all zones.
- The new building code compliance increase all zones, in three phases:
    - November 2022: All zones increasing 42% on today's thermal performance to R0.37
    - May 2023, split into 3 R value requirements, with the coldest areas requiring R0.50 (an increase of 92% on today's thermal performance)
    - and a final step in November 2023. which brings zone 1 & 2 in line with 3 & 4, at a thermal performance of R0.46 (an increase of 77% on today's thermal performance)
- The use of standard aluminium frames in the majority of applications will not be compliant once the full extent of changes is introduced, and almost universally it will require all glass to a high-performing Low E.
- To put this into perspective, our mix of Low E would be around mid-20 percent, and this change should see this shift to >90-95.

The CEO noted that the Company is excited and supportive of this change and was an active participant through the consultation. The CEO explained that Metroglass is well-positioned with world-class facilities – underpinned by the current Furnace capital strategy, people, and a range of high-performing LowE glass specifications.

The CEO next updated shareholders on the activity levels in the markets in which the Group operates. In New Zealand, headline consents of over 50,000 reached historic levels in the 12 months to March 2022, and well above assumed industry capacity. Recently published research by Stats NZ indicated that the rate of Code of Compliance issuance (or residential dwelling completion) has remained steady at around early to mid-30,000's. The delta between intentions to build and building activity continues to widen. In Australia, similar affects are being observed with strong approvals growth but the rate of completions taking longer.

The CEO explained that in the prior 12 months, the weighted average cost per sqm of glass increased significantly, and rapidly. Consistent with other industries, inflationary cost pressure has been evident across direct and indirect costs. In New Zealand, Metroglass has responded with price increases (a cumulative 26%), with a further price increase of 5% effective 1 September 2022. The CEO explained that the implementation of price increases is focused on improving gross profit performance from Q2 onwards. In Australia, which is a market that has traditionally lower market pricing for glass, AGG have implemented cumulative price increases of 39%, in-part reflecting cost inflation pressures, but also supported by the increasing value of high performing glass being recognised throughout the industry.

In providing an update on the first four months of trading in the FY22 year (being April to July 2022), the CEO noted that:

- Year to date, group revenue is similar to prior year, with the New Zealand business softer and the Australian business above the prior year
- The strong residential consents and approvals, are balanced by industry capacity constraints, and should support a stable pipeline in New Zealand and Australia
- New Zealand activity continues to be impacted by ongoing market disruptions and industry-wide material and labour shortages and this poses a risk
- Raw material and international shipping costs, while remaining historically high, have stabilised through quarter 1. The successful introduction of price increases and improved pricing disciplines are beginning to demonstrate positive trends for margin recovery from Q2 onwards.
- Sales in Australian Glass Group year to date are ahead of last year and are profitable, supported by strong market activity and consistent service and operational performance across each of our regions

- Recruitment is challenging with a tight labour market and reduced migration placing pressures on supply, capacity, and wage inflation
- Higher inventory costs lead to increased working capital funding requirements.

In discussing the group's outlook, the CEO noted:

- New Zealand residential building consents are at record levels in the last 12 months. Capacity constraints in the industry mean that building activity will continue, but the rate of execution due to wider industry issues are likely to be a drag.
- Strong approvals activity in Australia and a similar capacity constrained industry have created a solid pipeline of work.
- Current construction sector conditions continue to drive a challenging outlook in the short to medium term. The business's focus remains on gross margin improvement, with the inflationary pressures in the supply chain and the constraints on labour not expected to improve in the near term.
- The strategic programme continues to unlock the potential of the business, with investments in capability, quality, and a strong focus on improving our offering to customers. This creates value opportunities for the business alongside building insulation regulation changes to be introduced in our markets during FY23.
- The Company will be focused on the cost base and be ready to adjust and respond to future demand and activity levels.

Given the levels of uncertainty that are prevalent, the CEO explained that the Company will update shareholders further on the group's financial performance with interim results announcement in November 2022.

The CEO ended by reiterating that the Company's focus remains firmly on building a resilient organisation that provides excellent operational performance, maintains strong customer connections, and invests in and supports its people. He reaffirmed the key goals which are to:

- Defend Metroglass' leadership position and refine its sales mix to take advantage of opportunities in an increasingly competitive New Zealand market
- Grow and improve the profitability of the Australian business and benefit from increasing demand for double glazing
- Ensure the Company's balance sheet remains strong and sufficient to cope with future risks and opportunities.

Before handing back to the Chair, the CEO thanked Metroglass' shareholders, customers, suppliers, staff, and the Board for their support over what has been a challenging year for all.

4. General business and shareholder questions

The Chair invited general questions from shareholders, resulting in directors and shareholders holding discussions on a wide variety of general business matters.

The Chair began this session by responding to two shareholder questions which were received in advance of the meeting. These related to the appropriateness of the Long- Term Incentive Scheme and whether there were any implications for Metroglass from the Commerce Commission Report on building supplies.

Either in person or through the online platform, shareholders then asked various questions in respect of:

- The accounting treatment of the 5R Solutions loan and its inclusion as a key audit matter.
- The identified gaps in the director's skill matrix and how the proposed new directors update this.
- The markets in which the Company is performing well and those which the company is performing less well in.
- The competitive landscape in which Metroglass operates, the market share the Company holds and how this has changed.
- The company's risk management framework and the key risks being managed.
- Balance sheet resilience and the management of that going forward.
- The possibility of raising further equity from shareholders.
- The performance of the Company over the tenure of the Board Chair.

- The performance of the Company relative to other businesses in the building sector.
- The capability of the CEO and management team.
- The additional capacity in the New Zealand market relative to demand.
- The timing and disclosure of short- term incentive payments relating to FY21 being paid in FY22.

5. Proxy votes

The Chairman advised that voting proxies had been appointed for the purposes of this meeting in respect of approximately 60 million shares, representing approximately 32% of the total issued capital. It was noted that the Directors would be voting any discretionary proxy votes in favour of each of the proposed resolutions.

6. Formal business: Resolution one - auditor remuneration

The Chair proposed as a formal resolution *"that the Board be authorised to fix the fees and expenses of PwC as Auditor for the ensuing year"*. There was one shareholder comment made related to the fact there was clearly Auditor independence.

Voting was conducted by way of poll, and proxy votes (at proxy close) received in respect of the resolution were recorded as follows:

Resolution	Votes ***for***	Votes ***against***	Votes ***open***	Votes ***abstain***
1: Auditor remuneration	56,392,794	640,111	2,924,134	101,000

7. Formal business: Resolution two - election of Jenn Bestwick

Jenn Bestwick addressed the meeting and detailed her background and reasons for seeking to be elected as a Company director. She answered several questions from shareholders in respect of:

- The culture within the Company.
- Whether Jenn has a position on shareholders resolutions related to remuneration.
- Experience in manufacturing industries.

Peter Griffiths proposed as a formal resolution *"That Jenn Bestwick be elected as a Director of the Company"*. Voting was conducted by way of poll, and proxy votes received in respect of the resolution were recorded as follows:

Resolution	Votes ***for***	Votes ***against***	Votes ***open***	Votes ***abstain***
2: Election of Jenn Bestwick	56,642,641	460,264	2,924,134	31,000

8. Formal business: Resolution three – election of Julia Mayne

Julia Mayne addressed the meeting and detailed her background and reasons for seeking to be elected as a Company director. There were shareholder comments made in respect of the Company's safety record and also the diversity on the Board.

The Chair proposed as a formal resolution *"That Rhys Jones be elected as a Director of the Company"*. Voting was conducted by way of poll, and proxy votes received in respect of the resolution were recorded as follows:

Resolution	Votes ***for***	Votes ***against***	Votes ***open***	Votes ***abstain***
3: Election of Julia Mayne	56,898,205	204,700	2,924,134	31,000

9. Voting

The Chair reminded shareholders to ensure they had submitted their votes on each resolution whether in person or online and advised that the results of the voting would be advised to the New Zealand and Australian stock exchanges following the meeting.

10. Meeting closure

The Chair then thanked shareholders for their attendance, for the various shareholder questions, and declared the meeting closed at 11.50am.

11. Post meeting note – final Annual Shareholder' Meeting results

The final voting results for the meeting were released to the NZX and ASX on 9 August 2022 following the conclusion of the meeting. Each of the three Resolutions put to the meeting were passed. The details of the total number of votes cast (either in person or by proxy) were as follows:

Resolution	Votes *for*	Votes *against*	Votes *abstain*
1. That the Board be authorised to fix the fees and expenses of PwC as Auditor for the ensuing year.	66,650,931 97.39%	1,784,737 2.61%	113,695
2. That Jenn Bestwick be elected as a Director of the Company.	67,721,978 98.89%	761,790 1.11%	65,595
3. That Julia Mayne be elected as a Director of the Company.	68,081,137 99.38%	426,226 0.62%	42,000

Signed as a correct record

Chair: 

Date: 29 September 2022