UNDERLYING EARNINGS STANDARD

FINANCE

DRA Global

DRA-00-FIN-STD-007

Revision: 0

APPROVALS

Description	Name	Title	Signature	Date
Approval	Michael Sucher	Acting Chief Financial Officer		30 August 2022
Approval	James Smith	Interim Chief Executive Officer		30 August 2022

REVISION RECORD

Revision	Description	Date
A	Issued for approval	25 August 2022

REFERENCE DOCUMENTS

Document Number	Document Description

DEFINITIONS

Terms	Definition

TABLE OF CONTENTS

1 SCOPE

This Standard applies to all companies, associates, joint ventures and operations within the DRA Group. They must comply with this accounting policy. Where an entity's local generally accepted accounting principles ("GAAP") differ from this standard you should notify DRA Global's Financial Controller – Corporate to obtain clarification and agreement on the application of this Standard.

This Standard applies to all entities operating under the DRA Group.

This Standard does not replace other policies, standards and procedures that apply in relation to types of activities and should be read in conjunctions with such other documents and approvals under those documents obtained.

2 OBJECTIVES

The objective of this Standard is to establish principles for reporting Underlying Earnings in the financial statements (segment note reporting), investor, analyst and other external stakeholder presentations, and financial information provided to the Executive Committee and the Board for DRA Global.

3 KNOWLEDGE OF THIS STANDARD

Location / Business Unit Finance Managers / VPs are responsible for the consistent application of this Standard. DRA Global Corporate Finance is responsible for the formation of this Standard.

DRA Global's Financial Controller - Corporate should be consulted when questions arise as to its application. Any exceptions to this policy require the written approval of the General Manager - Corporate Finance or Group CFO.

4 KEY PRINCIPLES

DRA commenced reporting underlying earnings in its FY2020 and FY2021 Annual report as well as in its investor presentations, earnings guidance and prospectus, but not in its financial statements or internal management reporting. The purpose of providing alternate earnings measures other than statutory measures is to provide users of Group financial information a better understanding of the Company's underlying business performance and with insight into how management evaluates the Company performance internally. This Standard formally documents the principles for certain adjustments made to statutory earnings in order to derive Underlying Earnings. These adjustments are made on a pre-tax basis and any associated tax effect impact will be reflected in the underlying net profit after tax measure.

A principles-based approach is adopted because adjustments could vary year on year due to different transactions. Examples are provided in this paper, however they are not exhaustive and are provided to illustrate these principles.

Principle 1: Adjustment can only be made for transactions that do not reflect the core operating performance of the Group

Transactions which do not reflect the core operating performance of the Group are adjusted to derive Underlying Earnings. Such transactions could be once-off or not recurring on an annual basis. However, not all once-off items are adjusted for Underlying Earnings purposes. Refer to appendix 1 for guidance.

Principle 2: Adjustments mandate by the regulators

The Australian Securities and Investments Commission (ASIC) regularly issues media releases on areas of focus, including what ASIC expect to be disclosed in the Operating and Financial Review (OFR). These media releases should be considered when adjusting for any underlying earnings.

For example, ASIC expects OFR disclosure of the Australian government's job keeper allowance which many Australian companies have recently received.

Principle 3: Adjustments made should be comparable and treated consistently

Adjustments made to derive Underlying Earnings should be comparable between reporting periods. Any adjustments made shall be disclosed in a prominent manner and comparative financial information is required to be restated. Adjustments are to be applied in a consistent manner and not be seen as "cherry picking". For example, where asset impairment losses are excluded from Underlying Earnings in a prior period, any impairment reversal gains are also excluded from Underlying Earnings in the current period.

Principle 4: Materiality

Adjustments made to derive Underlying Earnings should be meaningful to the users of the accounts, therefore only material transactions are adjusted for unless excluding these adjustments would be considered misleading in nature to the users of the financial statements. Where a material adjustment has been identified, immaterial amounts of a similar nature can be aggregated and included in the total adjustment to Underlying Earnings. As a quantitative guide, items less than 50% of Group financial statement materiality should not be included. If adjustments are less than the quantitative guide, consideration needs to be given whether nature of the information and the circumstances and possible cumulative effects of omission of such information will be misleading to the users of the financial statements. Any adjustment will also be considered with reference to the Group's profit in the relevant reporting period.

5 REVIEW OF THIS STANDARD

Whilst this Standard is under the authority of the CFO and CEO, the Board Charter provides for approval by the Board. The document owner of this Standard is the General Manager Corporate Finance. This Standard is subject to regular (at least every two years) review by the General Manager Corporate Finance or when there is a revision to IFRS and the Group's accounting policies. Should any Employee identify any area of this Standard that is unclear, impractical and / or inappropriate, they are requested to raise the matter with the DRA Global Corporate Finance team for further investigation.

6 INTERPRETATION

It is recognised that this Standard may not cover all eventualities and may be unclear in certain instances. This will require interpretation of this Standard to fulfil the objectives of the Standard. In such instances, Employees are requested not to attempt to interpret the Standard (unless such interpretation is obvious) but rather seek the advice of the DRA Global Corporate Finance team to assist in this regard.

7 PROHIBITED CONDUCT

Employees are required to exercise appropriate care when considering accounting for Underlying Earnings. Practices that undermine the intention of this Standard are prohibited and contrary to the Code of Conduct. Individuals engaging in any contravention of this Standard, whether deliberate or unintentional, without the requisite approval may be liable to appropriate disciplinary action, including possible termination of employment. The application of this Standard will be carefully monitored through regular risk reviews, internal audit and external audit review.

APPENDIX 1 Guidance on adjustable or non-adjustable items to derive Underlying Earnings

Principle 1

Examples of adjustable transactions:

Example (i): Revaluation of Upside Participation Rights

Revaluation gain or loss of upside participations rights are adjusted for Underlying Earnings as the transaction is an equity transaction in relation to a specific shareholder buyback. The driver of the gain or loss in the revaluation is due to the share price of the Company and the remaining life of the options. These are factors that management have no control over and any gain or loss does not represent operational performance of any part of the business.

Example (ii): Impairment of goodwill and impairment/impairment reversal of other non-current assets

Goodwill is a residual asset which represent the portion of the purchase price that is higher than the sum of the net fair value of all of the net assets acquired in the process. Goodwill is tested for impairment on an annual basis and will be carried forward indefinitely as long as the forward view of the cash generating unit (CGU) can demonstrate the recoverability of the goodwill and other non-current assets. Including impairment of goodwill in a particular year distorts the comparability of the earnings results and operational performance. Whilst impairment of goodwill does indicate certain acquired CGUs are not performing, a separate assessment should be conducted to understand the success of the acquisition. Similarly, impairment/impairment reversal of other non-current assets also distorts the comparability of the earnings results and operational performance.

Example (iii): Initial Public Offering (IPO) costs

DRA incurred IPO costs in FY2021 when it was listed on the ASX and JSE. These IPO costs are one-off costs in relation with the compliance activities and preparation of the IPO. These IPO costs are once-off and are not recurring in the future. These costs were not incurred as a result of the underlying operational activities of DRA and therefore are adjusted for in determining Underlying Earnings. Listing fee and advisor fees paid on an annual basis related to the ASX or JSE ongoing listing are not adjusted for in determining Underlying Earnings as these costs are incurred are part of “business as usual” activities for a listed entity.

Example (iv): Legal fees in relation to Pre-IPO litigation matters

From time to time, DRA may incur significant legal fees to defend from claims from its customers for projects that have been completed or terminated before IPO. These fees will be disclosed as an adjustment to underlying earnings as it does not represent the underlying performance of the Company after listing. Legal fees incurred in the ordinary course of business and future projects after IPO are not adjusted for.

Examples of non-adjustable transactions:

Example (i): Impairment of current and non-current trade receivables or contract assets

Impairment, which provision or actual write-off, of current and non-current trade receivables or contract assets are part of operational performance activities as it relates to risk assessment of customers and operational processes related to contractual terms entered into with counterparties, and collection activities, which are under the control of management. Therefore, such transactions are not adjusted for in determining Underlying Earnings. For the same reasons, any reversal of a provision or write-off due to subsequent payments from the customers are not adjusted.

Example (ii) Provision for onerous contract or revenue true-up for contract where revenue recognition is constrained

Any transactions adjusting revenue recognised under IFRS 15 are not adjusted for as they relate to the operational performance of the entity. Significant revenue adjustments related to unusual circumstances, usually in respect of revenue recognised in previous reporting periods, whilst not adjusted for, should be explained in commentary to provide context to the users of the financial information.

Example (iii) – Foreign exchange differences in profit or loss

DRA as an international group is exposed to currency fluctuations on its monetary items which typically are cash, trade receivables and trade payables. Depending on project requirements, DRA subsidiaries could also enter into contracts outside of their functional currency. Typically, no adjustments are made to be on foreign exchange differences as management of foreign exchange risk is part of operational activities which cannot be ignored in an international group.