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25 September 2015

Dear Shareholder,

Update regarding Transfield Services' work in the Regional Processing Centres

Your company's Annual Report provides an overview of our activities and achievements throughout the year and includes important information for shareholders. We hope you find it informative and useful.

This supplementary letter is to update you on some matters that have been raised in relation to the Regional Processing Centre contract since the completion of the Annual Report.

Since September 2012, Transfield Services has played a significant role in delivering services at the Regional Processing Centre at Nauru and from February 2014 at Manus Province. We take a welfare-led approach to providing services at the Regional Processing Centres, and our welfare service principles underpin all aspects of service delivery.

In recent weeks, there has been coverage and comment about a number of instances where a very small number of staff or subcontracted staff have acted in a manner unacceptable to your Company. We will address these matters in full in this letter and also provide an update on the current situation.

Overview

On 31 August 2015, your Company announced that the Department of Immigration and Border Protection (DIBP) had selected Transfield Services as the preferred tenderer to provide Welfare and Garrison Support Services in both Nauru and Manus Province. This has the potential to extend the scope of our work for up to a five year period. This new contract is yet to be finalised.

We have been open and transparent about our work for DIBP, noting the environment at the Regional Processing Centres can be complex and challenging.

We are making a positive contribution to the lives of asylum seekers. The care and wellbeing of asylum seekers is paramount in our processes, decisions and actions. We also spend a considerable amount of time and effort in analysing our activity in the centres and looking for continuous improvement in outcomes.

Your Board is proud of the work our staff is doing. We respect human rights in every aspect of our operations and use the International Human Rights Standards as a framework to guide our activities.

Since November 2014, operations on site have been reviewed by the Commonwealth Immigration Ombudsman, the International Red Cross (the IRC), the United Nations High Commission for Refugees (the UNHCR), as well as members of the Joint Advisory Committee for Regional Processing Arrangements (the JAC).

There have also been a number of Government and independent reports carried out into the operation of the Centre in Nauru, including the independent Moss Review in late 2014. Transfield Services has worked constructively with these enquiries and will work with the Federal Government and the DIBP on any accepted findings where they relate to Transfield Services and our areas of contracted responsibility.

Instances of unacceptable behaviour

In a small number of instances, members of Transfield Services' staff or sub-contracted staff have acted in a manner that is inconsistent with our expectations. We have taken firm and decisive action to eliminate risk and demonstrate that misconduct will not be tolerated.

No act of abuse is acceptable. Not one.

At the most recent Senate Inquiry, Transfield Services reported that there had been a number of allegations of inappropriate incidents involving minors in the centres in Nauru. There is a suitably broad definition of what may constitute an incident in order to ensure asylum seeker welfare is protected. This includes alleged incidents of verbal abuse, incidents between minors or minors and their parents and instances of clothed non-sexual physical contact between minor asylum seekers and centre staff. Every reported incident is investigated and actioned by Transfield Services in conjunction with the DIBP and other services providers. Incidents are also reported formally to the DIBP, welfare providers and the local law enforcement authorities as required. All allegations of illegal activities or criminal offenses have been referred to the relevant police force and it is important to note that no charges have been laid to date in relation to any of these incidents.

Our processes and systems ensure that our staff can raise any incident of concern to them through designated internal management channels or through an independently operated whistleblower and integrity hotline. These systems have been in place for some time. Your Board is confident management will continually promote and enforce transparency and accountability in all operations and at all levels.

The new Border Force Act service enshrines the ability of providers (including medical practitioners) to report any suspected wrongdoings. The pre-existing channels remain in place and are effective.

As your Annual Report details, the operation of the Regional Processing Centres is only one part of our business. In the accompanying report, you will find much more information about the essential work performed by the Transfield Services Group.

Thank you for your continuing support.

Yours sincerely,



Diane Smith Gander
Chairman



Graeme Hunt
Managing Director and
Chief Executive Officer