Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235

A good result with an eye to the future

Company/ASX Code	Ampol/ALD
AGM date	Thursday, 9 May 2024
Time and location	10am at The Mint, 10 Macquarie Street, Sydney
Registry	Link Market Services
Type of meeting	Hybrid. See virtual meeting guide: **https://www.ampol.com.au/about-ampol/investor-centre/shareholder-meetings**
Poll or show of hands	Poll on all items
Monitor	Roger Ashley assisted by Don Adams and Partha Sarathy
Pre AGM Meeting?	Yes with Steven Gregg (Chairman), Faith Taylor (Company Secretary), Fran van Reyk (General Manager Investor Relations), Melinda Conrad (Chair of People & Culture Committee) and Tom Clay (General Manager People & Culture

Two of the individuals or their associates involved in the preparation of this voting intention have shareholdings in this company.

Summary of issues for meeting

In our company monitors' opinions Ampol is a well governed company with the added element of a good year's results despite an outage at the Lytton refinery and pricing pressures in the Convenience Retail business. The company's attention to gender diversity and ESG issues appears genuine and positive.

Given the industry in which they operate, they will struggle to meet zero emissions while fossil fuel remains a significant part of Australia's transport environment. With this in mind, they are pursuing pilot projects in alternative fuels and rolling out charging stations where there is demand and at a pace that is commensurate with the growth of electric vehicle (EV) sales.

We continue to make the company aware of the areas in which their remuneration scheme falls short of the policy position of the ASA and these are addressed in Appendix 1.

We also reminded the company that ASA policy is that the Board Skills Matrix should detail the skills of individual directors, but the company is reluctant to do so while it is not a mandatory requirement under ASX Corporate Governance Council principles and recommendations.

The ASA monitors were impressed with the responses to our questions both in terms of detail and clarity.

Proposed Voting Summary

No.	Resolution description	
2	Adoption of Remuneration Report	For
3a	Re-election of Micheal Ihlein as a Director	For
3b	Re-election of Gary Smith as a Director	For
4	Grant of 2024 performance rights to the Managing Director and Chief Executive Officer (MD & CEO)	For
5	Non-Executive Directors' Fee Pool Increase	For

Summary of ASA Position

Consideration of accounts and reports - No vote required

The year ended 31 December 2023 included the first full year of Z Energy in New Zealand and a 17% increase in sales volume. The company is now settled into its new operational configuration under the Ampol and Z Energy branding. The Ampol Woolworths MetroGo pilot terminated in 2023 with the convenience shop outlets being rebranded under the Foodary banner. The product mix in Foodary sites is configured according to demand in the local community and can vary from a basic offering to quick service restaurants. Although the revenue from the convenience shop outlets is not shown in the annual report, "non-fuel income" accounts for 3% of total revenue and food and convenience store offerings seem to have some way to go to be a major contributor to overall profitability. Given the time it takes to recharge an EV versus a petrol top-up there does seem an upside in food offerings particularly on major highway service centres along key transport routes.

An unplanned outage at the Lytton refinery, a lower refiner margin, lower selling prices and higher selling and distribution costs resulted in lower profits from operations which were down on the prior year by $67.5 million or 6%. The other major impact on Net Profit After Tax was an increase of $106 million in finance costs reflecting higher interest rates and an increase in debt funding of the acquisition of Z Energy. Notwithstanding the lower year on year profit, the (simple) Total Shareholder Return showed an impressive increase due to a much higher year end share price.

The company is cognisant of the transition issues from fossil fuels to alternative energy sources although aware that fossil fuels will remain a major part of its product mix for some time into the future. They state that they are able to "flex investment" to meet evolving market conditions. The rollout of charging stations for EVs is proceeding as demand increases and other initiatives including biofuel production at Lytton, the production of sustainable aviation fuel in New Zealand and the development of a hydrogen strategy for heavy transport are in train.

Ampol intends to upgrade the Lytton refinery to produce product that is compliant with the new fuel standards specified by the Australian Federal Government.

Summary

(As at FYE)	**2023**	**2022**	**2021**	**2020**	**2019**
NPAT ($m)	600	847	598	(485)	384
UPAT ($m) (RCOP)	740	763	334	212	344
Share price ($)	36.15	28.28	29.66	28.42	33.95
Dividend (cents)	250	161	75	76	93
Simple TSR (%)	36.7	0.8	7.0	(14.1)	36.9
EPS (cents)	230	334	234	(194)	151
CEO total remuneration, actual ($m)	4.2	4.8	4.6	3.6	2.9

For 2023, the CEO's total actual remuneration was **41.3 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2023 data from the Australian Bureau of Statistics). See annual report p 61 for reconciliation of RCOP to the statutory result.

Election or re-election of directors

Following the retirement of Mark Chellew there remain four male non-executive Directors (NEDs) and three female NEDs. All conform to ASA guidelines in terms of length of service and value of shares held (determined on a multiple of base fees).

The Directors seeking election/re-election at this AGM are:

Micheal Ihlein

Mr. Ihlein was appointed to the Board in 2020. He holds directorships with the Scentre Group and Inghams Group. He has had previous senior career positions with Brambles Limited and Coca-Cola Amatil.

Gary Smith

Mr. Smith was appointed to the Board in 2020. He is currently employed as a Senior Advisor with Poten & Partners, working with the LNG Commercial team. His previous experience includes 20 years with Shell and various executive roles within the industry, including General Manager Refining, Supply and Distribution of Ampol Limited (formerly Caltex Australia Limited).

Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO

Our issues with the remuneration report are a 3-year period for the long-term incentive, rather than 4 years. We note too that the Board reserves the right to make adjustments to both the STI and LTI awards but historically has refrained from doing so. Refer to Appendix 1 for more detail on the incentive scheme.

The CEO's LTI grant for 2024-26 is 86,853 shares at maximum opportunity. This represents a target award of $2.55 million based on a volume weighted average price (VWAP) for 20 trading days to 1 January 2024 to which the Black Scholes methodology has been applied to allow for dividends paid over the incentive period resulting in a share price for the maximum opportunity award of $29.36.

The LTI hurdles comprise equal components of a Relative Shareholder Return and Return on Capital Employed.

Non-Executive Directors' Fee Pool Increase

Shareholders are asked to approve an increase in the maximum aggregate amount of fees that may be paid to non-executive directors by $500,000 from $2.5 million per annum to $3 million per annum, including statutory superannuation.

The current maximum of $2.5 million per annum was approved by shareholders at Ampol's 2016 AGM. The Board does not intend to increase Director's annual base fees in 2024.

Appendix 1
Remuneration framework detail

CEO rem. Framework for FY2023	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.8871*	39%	1.887*	30%
STI - Cash	0.793*	16%	1.189*	19%
STI - Equity	0.476	10%	0.714	11%
LTI	1.700	35%	2.550	40%
Total	4.586	100.0%	6.340	100%

Notes:

**Includes superannuation @11%*

Our issues with the remuneration package remain as for prior years:

- We prefer that at least 50% of the Short Term Incentive (STI) is deferred equity. Ampol is at 40% for the CEO.
- The Long Term Incentive (LTI) is based on a three year period.
- ASA also prefers that a relative TSR should reach 85% to get 100% vesting. Ampol uses 75%.
- The Board reserves the right to make adjustments to both the STI and LTI awards but historically has refrained from doing so.

A profit gateway must be achieved for participation in the profit, safety, climate and brand measures which account for 65% of the STI, the balance relating to subjective performance against "strategic priorities". The STI is payable 60% in cash with 40% in equity after a two year deferral. We raised the issue that the implied target UPAT was $564million (including a full year of Z Energy operations). This does appear to be less than challenging given the previous year's results. The company's response was that 2022 was an exceptional year buoyed by high refiner margins.

For the LTI, Relative TSR (TSR is assessed against a comparator group of **all** ASX100 companies) and ROCE each account for 50% of the award. Relative TSR vests at the 50th percentile rising to 100% at the 75th percentile. The ROCE measure (ie. RCOP EBIT/Average Capital Employed) vests at threshold (WACC+1%) rising to WACC+2.6% at target performance and 100% at "Stretch" (WACC+3.6%).

Company policy is that the CEO must build a minimum shareholding of 100% of fixed remuneration within five years.