Australian Shareholders' Association Limited
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An Ageing Lytton Refinery and Lower Margins Drags Performance

Company/ASX Code	Ampol Limited, ALD
AGM time and date	10:00 am on Thursday, 15 May 2025
Location	The Mint, 10 Macquarie Street, Sydney
Registry	MUFG Corporate Markets (AU) Limited
Type of meeting	Hybrid. See the virtual meeting guide at https://www.ampol.com.au/about-ampol/investor-centre/shareholder-meetings
Monitors	Don Adams and Partha Sarathy
Pre-AGM Meeting	The monitors met virtually with Steven Gregg (Chairman), Melinda Conrad (NED and Chairwoman of People and Culture Committee), Fran van Reyk (GM Investor Relations and Sustainability) and Tom Clay (GM People and Culture) on 17 April 2025.

Monitor Shareholding: The individuals involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2	Adoption of Remuneration Report	For
3(a)	Re-election of Steven Gregg as a Director	For
3(b)	Re-election of Elizabeth Donaghey as a Director	For
3(c)	Election of Helen Nash as a Director	For
3(d)	Election of Stephen Pearce as a Director	For
3(e)	Election of Guy Templeton as a Director	For
4	Grant of 2025 Performance Rights to the MD and CEO	For
5	Reinsertion of Proportional Takeover Provisions	For
6	Refresh the Company's 15% placement capacity under the ASX Listing Rules	For

Summary of Issues and Voting Intentions for AGM

Results for 2024 were very disappointing, particularly in the Fuels and Infrastructure segment, which accounts for 70% of the total revenue of $34.9bn. Nevertheless, we maintain the view that Ampol is a well governed company with a genuine and positive approach to ESG issues. There are some significant investment and decisions that need to be made in the near term with ageing Lytton refinery, which commenced operation in 1965. The Federal Government's Fuel Security Services Payment (FSSP), which offers downside protection against low refinery margins, ends in 2027 and Lytton is one of only two refineries still operating in Australia and therefore critical to fuel security.

The movement towards net zero emissions is an existential threat to the core business. Their response is to push as hard as they can into the electricity space, rolling out electric vehicle chargers as fast as they can. For some years, they have been exploring alternative fuels, such as hydrogen and biomass airline fuel, with mixed success.

The Board is being refreshed with three new directors up for election at the AGM. Two existing directors are departing, Mark Chellew in May 2024 and Penny Winn at the AGM in May 2025.

Remuneration policy has had three significant changes, two of which the ASA welcomes. There are still issues that we have with this policy, and these are discussed in Appendix 1.

We were impressed with the detail, clarity, and frankness with which they addressed our questions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	176	600	847	598	(485)
UPAT ($m)(RCOP)	235	740	763	334	212
Share price ($)	28.19	36.15	28.28	29.66	28.42
Dividend Paid (cents)	240	250	161	75	76
Simple TSR (%)	(15.8)	36.7	0.8	7.0	(14.1)
EPS (cents)	51	230	334	234	(194)
CEO total remuneration, actual ($m)	6.1	4.2	4.8	4.6	3.6

The CEO's total remuneration is **59.4** times the Australian Full time Adult Weekly Total Earnings (based on November 2024 data from the Australian Bureau of Statistics)

Ampol's performance in 2024 was disappointing following two outstanding years in 2022 and 2023. Revenue was down 7.6% but RCOP EBIT (before Significant Items) fell even more sharply by 44.8% from $1,297 m in 2023 to $715m in 2024. RCOP EBIT for Fuels and Infrastructure fell by 74.7%, Convenience Retail increased slightly, and New Zealand was down by 12%. The Fuels and Infrastructure result was a consequence of reduced opportunities for the international trading business, coupled with reduced refiner margins and unplanned outages at the Lytton refinery.

Weak operating performance coupled with high capital expenditure led to increased borrowings of $2.8bn and leverage at 2.6 times, higher than the target range of 2.0 to 2.5 times. Nevertheless, Ampol maintained a good investment grade rating of Baa1 from Moody's. During the pre-AGM meeting, Ampol expressed the view that the leverage will come down within the target band in 2025, without resorting to capital raising.

Lytton Refinery

The 60-year-old refinery is showing its age. The Australian government, however, is concerned about preserving refinery capacity in Australia and is supporting both the Lytton refinery and the refinery in Geelong financially. At Lytton, they have provided grants of $151m over 2024 and 2025 to ensure that the refinery will be able to meet standards for ultra-low sulphur fuel by the end of 2025. In addition, the federal government has provided a backstop facility whereby a subsidy will be paid should the refiner margin fall below certain levels. This currently ends in 2027.

Refiner margins have continued to be weak in 2025, and Ampol anticipates, in their recent announcements, that it will be eligible for government support. We understand that negotiations with the government will take place this year about the possibility of extending the backstop. We gathered that if it were not for this strategic support then Ampol would cease refining at Lytton and use it solely as a terminal as they have done at Kurnell. In any case, Ampol's target of net zero emissions by 2040 assumes that the Lytton refinery will not be operational by then.

Sustainability and ESG

In the Annual Report, Ampol have provided a substantial sustainability statement. At its core, Ampol is considering options as it transitions towards net zero by 2040. The major response is the provision of charging stations for EVs. They have a target of 500 stations by the end of 2027, but at the end of 2024 there were only 144 in place in Australia. New Zealand is ahead of target with 171 chargers in place. Chargers are being installed in sites other than service stations, such as shopping centres, apartment buildings, and even at a B2B site.

Going beyond that they have become an electricity retailer in parts of Queensland and NSW. They also have deals with BYD and Volkswagen to provide home charging equipment for purchasers of their EVs. It should be noted that there are no substitutes yet available for carbon-based fuels in relation to heavy transport and jet aviation.

Ampol had been looking at hydrogen fuels but now concedes that it might be feasible only in the longer term. More usefully they are exploring the production of bio-mass products, such as sustainable aviation fuel and renewable diesel. At present they are importing renewable diesel. Ampol has signed a deal with GrainCorp and IFM Investors to explore the possibility of an integrated renewable fuels industry in Australia, probably located at Lytton.

Ampol continues to make progress in diversity. The gender pay gaps, both overall and like-for-like, fell again in 2024. They have strong Indigenous programs in both Australia and New Zealand. They have achieved Bronze Employer status in recognition of their LGBTQ+ inclusion.

Item 2. Remuneration Report

We will vote proxies for the adoption of the Remuneration Report this year, as we did last year, since Ampol has made some positive changes:

1. STI target opportunity for the CEO has been increased from 70% of FTR to 100% of FTR. We are not particularly pleased with this, but the maximum opportunity has not been increased and 100% is not unusual in companies of this size.

2. Deferred STI has been increased from 40% to 50% of the payout.

3. Performance rights issued as part of LTI will no longer be adjusted for dividends in any way.

Further discussion of remuneration is in the Appendix.

Item 3. Re-election and Election of Directors

We will vote proxies for each of the Directors up for re-election or election. With the resignation of two Directors and the appointment of three new Directors, the Board will increase from nine to ten members.

Steven Gregg has been on the Board for nearly ten years and Chairman for nearly eight years. The Board has confirmed that he is an independent Director. He has been Chairman of Westpac for over a year. After we questioned his workload, he pointed out that he had resigned from two other major boards when he became Chairman of Westpac and he felt comfortable with his workload.

Elizabeth Donaghy has been a Director of Ampol since 2021. She is well qualified both by experience and education to be on the Board.

Helen Nash is a new Director appointed this year. She has strong experience in consumer marketing having been, amongst other things, COO of McDonald's Australia. The Ampol Board skills matrix shows that Convenience Retail is the weakest skill on the Board, so the appointment of Helen Nash helps to fill that gap.

Stephen Pearce is another new Director, and he has strong financial and leadership experience in major natural resource companies.

Guy Templeton is the third new Director. He is well qualified as an engineer and industry leader.

Item 4. Grant of performance rights to the CEO

This is a standard resolution which enables the company to issue new shares to the Managing Director under the ASX listing rules. Ampol generally does not issue new shares but instead purchases existing shares on the market to the extent that the performance rights vest at the end of the three-year LTI assessment period.

Item 5. Proportional Takeover Provisions

These provisions are designed to ensure that shareholders receive proper value for their shares in the event of a bid for a proportion of the shares in the company. We will vote proxies for this resolution.

Item 6. Refresh the Company's 15% placement capacity.

The ASA generally votes against this sort of resolution since equity placements to institutional investors at a discount disadvantage the retail shareholders. We have no objection if retail shareholders can participate in the placement on substantially the same terms. The situation here is a little more complex.

Over the last four years, Ampol have issued $1.7bn of convertible subordinated notes. These are hybrid securities like the converting preference shares issued by the major Australian banks. They are subordinate to all other debt obligations, carry an interest rate at a high margin over BBSW, are long dated, may be redeemed by Ampol after four years. If Ampol fails to redeem, then the notes may be converted to shares at the then prevailing VWAP less 1%.

The notes subject to this motion were issued in December 2024 for $600m at an interest rate of 2.5% over BBSW. They have a maturity of 30 years, but Ampol can redeem them at par in December 2029. Moody's counts them as quasi-equity (50% equity) for credit rating purposes and rates them as Baa2. The conversion privilege is essentially a backstop. We do not know of a case where an issuer has failed to redeem these hybrid securities for cash. Further, any shares issued under the conversion provision will be only at a slight discount of 1% from the then prevailing VWAP.

Since it is unlikely that retail shareholders' value will be diluted by these securities we will vote for this resolution.

Incidentally the regulators are wary of these hybrid securities. APRA has placed a ban on banks issuing converting preference shares, and ASIC has made it difficult to offer such securities to retail investors.

We asked Ampol about why they wanted the 15% placement capacity refreshed and why they had not asked for refreshment for the previous three issues of these hybrid notes. They were understandably reluctant to indicate any plans that they might have to raise new equity, but they did point to the fact that the December 2020 note issue of $500m comes up for redemption in March 2026.

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Appendix 1
Remuneration framework detail

CEO rem. Framework for FY24	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.895*	39%	1.895*	30%
STI - Cash	0.796*	16%	1.194*	19%
STI - Equity	0.476	10%	0.714	11%
LTI	1.700	35%	2.550	40%
Total	4.867	100.0%	6.353	100%

*Note: * includes superannuation @ 11.5%*

We mentioned earlier the changes to remuneration policy but there are still some issues:

1. The Long Term Incentive (LTI) is based on a three-year period, we prefer four or five years.

2. ASA also prefers that relative TSR should reach 85% to get 100% vesting. Ampol uses 75%.

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 now payable 50% in cash with 50% in equity after a two-year deferral. For 2024 the CEO received an STI payout of 23% of base salary. This was somewhat surprising given the poor profit performance, but it was based entirely on the subjective measures. In the pre-AGM meeting, we raised our concern that Strategic Priorities segment of STI was scored at 112% despite poor reliability of Lytton. Our concern was noted by the Chair.

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 (i.e. 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%). For 2024, the CEO saw 75.5% of his performance rights vest largely due to the strong ROCE performance in the first two years of the assessment period.