

# NOTICE OF MEETING

**Notice is given that the 2021 Annual General Meeting of shareholders of Australian Pharmaceutical Industries Limited will be held online on Thursday 20 January 2022 at 2.00 pm (AEDT).**

## Location of meeting

The Annual General Meeting (**Meeting**) will be held online, using technology to facilitate shareholder engagement and participation.

## Attending and voting online

Shareholders who wish to attend and participate in the Meeting may do so by entering the following URL into the browser of their computer or mobile device: <https://web.lumiagm.com/318154943>. This will provide access to the online platform hosted by Lumi AGM, which will give a reasonable opportunity for shareholders to participate in the Meeting. Shareholders will be able to hear any discussion, submit written questions and vote. We strongly recommend that shareholders who wish to participate log in to the online portal at least 15 minutes prior to the scheduled start time.

You can log in to the Meeting by entering:

1. your **username**, which is your **Voting Access Code (VAC)**, which can be located on the first page of your Proxy Form or Notice of Meeting; and
2. your **password**, which is the **postcode** registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the Virtual Meeting User Guide on the API website <https://www.api.net.au/investor/share-registry/> for their password details.

For further information on how to participate in the Meeting online, please refer to the Virtual Meeting User Guide on the API website: <https://www.api.net.au/investor/share-registry/>.

If you have been nominated as a third party proxy or if you have any other queries relating to participating online, please contact Boardroom Pty Limited on 1300 737 760 or via [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au).

The Company may be required to make changes to the arrangements for the Meeting at short notice. The Company will keep shareholders informed if this becomes necessary and details will be notified by an ASX release.

## Asking questions

Shareholders will have a reasonable opportunity to ask questions or make comments at the Meeting via the online platform or verbally by phone.

To ensure that as many shareholders as possible have the opportunity to participate, shareholders are requested to observe the following guidelines:

- all shareholder questions should be stated clearly and should be relevant to the business of the Meeting;
- if a shareholder has more than one question on an item of business, all questions should be asked at the one time; and
- shareholders should not ask questions at the Meeting relating to any matters that are personal to the shareholder.

Shareholders who prefer to register questions in advance of the Meeting are invited to do so by entering the following URL into the browser of their computer or mobile device:

<https://www.votingonline.com.au/apiagm2022>.

Questions submitted in advance of the Meeting must be received by the Company no later than 5.00 pm (AEDT) on Thursday, 13 January 2022.

The Chair of the Meeting will endeavour to address as many of the more frequently raised and relevant questions as possible during the course of the Meeting.

## **Business**

Items 2 to 4 will be proposed as ordinary resolutions.

## **Ordinary Business**

### **Reports**

1. To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and the Auditor for the year ended 31 August 2021.
2. To adopt the Remuneration Report for the year ended 31 August 2021.

*The vote on this resolution is advisory only and does not bind the Company or its Directors.*

### **Election of Director**

3. To elect a Director: George Tambassis, having been appointed a Director since the last annual general meeting, is retiring in accordance with the Company's Constitution and, being eligible, offers himself for election.

### **Grant of Performance Rights to Mr Richard Vincent, Chief Executive Officer and Managing Director, under the API Long Term Incentive Plan**

4. To consider and, if thought fit, to pass the following resolution:

"That, for the purposes of Listing Rule 10.14, sections 200B and 200E of the *Corporations Act 2001* (Cth) (**Corporations Act**), and for all other purposes, the grant of Performance Rights under the API Long Term Incentive Plan to the Company's Chief Executive Officer and Managing Director, Mr Richard Vincent, on the terms set out in the Explanatory Notes."

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## **Voting Exclusion Statement**

### **Voting excluded for Item 2 (Adoption of Remuneration Report)**

The Corporations Act restricts Key Management Personnel (**KMP**) and their closely related parties from voting on the resolution proposed in Item 2.

Closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by a member of the KMP.

In accordance with the Corporations Act, the Company will disregard any votes cast in any capacity (e.g. as a shareholder, proxy or corporate representative) on the resolution in Item 2 by or on behalf of:

- members of the Company's KMP, details of whose remuneration are included in the Remuneration Report; and
- closely related parties of those persons.

In addition, any votes cast as a proxy on Item 2 by any other members of the Company's KMP (regardless of whether or not their remuneration details are disclosed in the Remuneration Report) and their closely related parties will also be disregarded.

However, the Company will not disregard the votes as a result of these restrictions if cast by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or

- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary, provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

**Voting exclusions for Item 4 (Approval of issue of Performance Rights to Mr Richard Vincent, Chief Executive Officer and Managing Director, under the API Long Term Incentive Plan)**

In accordance with the ASX Listing Rules (**Listing Rules**), the Company will disregard any votes cast in favour of the resolution in Item 4 by or on behalf of:

- Mr Vincent (being the only Director eligible to participate in the API Long Term Incentive Plan); and
- any associate of his.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary, provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

In addition, in accordance with the Corporations Act, the Company will disregard any votes cast on the resolution in Item 4 as a proxy, by: (i) a member of the KMP at the date of the Meeting; or (ii) a closely related party of such a member, unless the vote is cast:

- on behalf of a person entitled to vote in accordance with a direction on the proxy appointment specifying the way the proxy is to vote on the resolution; or
- by the person who is the chair of the Meeting and the proxy appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

There is no share plan in respect of which the Directors (other than Mr Vincent) are entitled to participate. Therefore, under the Listing Rules, each of the Directors (other than Mr Vincent) is able to vote on this resolution (subject to the voting restrictions above).

**Undirected Proxies**

The Chair of the Meeting intends to vote undirected proxies (where the Chair has been appropriately authorised, having regard to the voting restrictions above) in favour of all items.

**If you do not wish to appoint the Chair of the Meeting to vote in favour of all items, it will be important for you to complete the voting directions in respect of each Item in Step 2 of the Proxy Form.**

## **Voting Entitlements**

The Board has determined that, for the purposes of the Meeting (including voting at the Meeting), shareholders are those persons who are the registered holders of the Company's ordinary shares at 7.00 pm (AEDT) on Tuesday, 18 January 2022.

Holders of the Company's ordinary shares may vote on all items of business, subject to the Voting Exclusion Statement described previously.

## **Proxies**

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to two or more votes they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To be effective for the Meeting, the Proxy Form (and any authority under which it is signed or a certified copy) must be received by the Company no later than 2.00 pm (AEDT) on Tuesday, 18 January 2022 (48 hours before the commencement of the Meeting).

Completed Proxy Forms can be:

- hand delivered during normal business hours to the Company's Share Registry, Boardroom Pty Limited, located at Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000;
- returned by post to Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001; or
- sent by facsimile to Boardroom Pty Limited on +61 2 9290 9655.

Alternatively, shareholders may complete and lodge the Proxy Form online by following the instructions on the Proxy Form, so that the instructions are received no later than 48 hours before the commencement of the Meeting.

## **Corporate Representatives**

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed or a certified copy, unless it has previously been given to the Company. Shareholders can download the "Appointment of Corporate Representative" form from the Share Registry's website: [www.boardroomlimited.com.au/investor-forms](http://www.boardroomlimited.com.au/investor-forms).

## **By order of the Board**



**Anne Mustow**  
Company Secretary

15 December 2021

# Explanatory Notes

## ORDINARY BUSINESS

### Item 1 – Consideration of Financial Report, Directors' Report and Auditor's Report

In accordance with the Corporations Act, the Financial Report, the Directors' Report and the Auditor's Report of the Company and its controlled entities for the year ended 31 August 2021 (together, the **Reports**) will be put before the Annual General Meeting.

The Reports are contained in the Company's 2021 Annual Report, which can be obtained by contacting the Company's Share Registry or by visiting the Company's website [www.api.net.au](http://www.api.net.au), clicking on the "Investors" tab and following the links to the 2021 Annual Report.

Shareholders may elect to receive by mail, free of charge, the Company's 2021 Annual Report. Shareholders who wish to receive a hard copy of the Annual Report should contact the Company's Share Registry to obtain the necessary election form.

### Item 2 – Adoption of the 2021 Remuneration Report – non-binding advisory vote

As required by the Corporations Act, the Board is presenting the Remuneration Report for the year ended 31 August 2021 to shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- an explanation of the Company's policy for determining the remuneration of the Company's Key Management Personnel;
- a description of the relationship between the remuneration policy and the Company's performance;
- a summary of the approach to remunerating the Company's Key Management Personnel, including performance related remuneration; and
- remuneration details for each Director and for each of the Company's Key Management Personnel.

The Remuneration Report forms part of the Company's Annual Report.

Section 250R(3) of the Corporations Act provides that the vote on Item 2 is for advisory purposes only and will not bind the Directors or the Company. The Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies of the Company.

#### Board Recommendation

The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are appropriate having regard to the performance of the Company.

On this basis, the Board recommends that shareholders vote in favour of Item 2.

### Item 3 – Election of Director

Rule 3.3 of the Company's Constitution provides that the Board may appoint a person to be a Director and that any Director so appointed automatically retires at the next annual general meeting and is eligible for election by shareholders at that general meeting. The Board appointed Mr George Tambassis as a Director with effect from 7 June 2021. Being eligible, Mr Tambassis offers himself for election as a Director.

The profile of Mr Tambassis is set out below.

#### Mr George Tambassis

Mr Tambassis was appointed an Independent Non-executive Director with effect from 7 June 2021.

Mr Tambassis is a pharmacist with over 35 years' operational experience in community pharmacies. He has served as a director of the Australian College of Pharmacy, as a director of an aged care facility and as a member of the Australian Community Pharmacy Authority. He was the inaugural President of the World Pharmacy Council and a member of the OECD's Associate Expert Group advising on pharmacy and health.

Mr Tambassis served as a director on the Pharmacy Guild of Australia for 15 years including 7 ½ as its National President, during which he was instrumental in concluding the 6th and 7th Community Pharmacy Agreements with the Commonwealth Government.

#### **Board Recommendation**

The Board (excluding Mr George Tambassis because of his interest in the matter) recommends that shareholders vote in favour of the election of Mr. George Tambassis.

### **Item 4 – Grant of Performance Rights to Mr Richard Vincent, Chief Executive Officer and Managing Director**

It is proposed that Mr Richard Vincent, the Company's Chief Executive Officer and Managing Director, be granted Performance Rights under API's Long Term Incentive Plan (**Plan**). The proposed grant of Performance Rights is the the LTIP component of Mr Vincent's total remuneration opportunity for the 2022 financial year (**FY22**) and is being submitted for shareholder approval in the normal course.

This explanatory note details the terms and conditions of Mr Vincent's FY22 LTIP opportunity.

The implications of the Scheme Implementation Deed (under which it is proposed that WFM Investments Pty Ltd, a wholly owned subsidiary of Wesfarmers Limited (**Wesfarmers**), will acquire all of the API Shares that Wesfarmers does not already own, by way of a scheme of arrangement (**Scheme**)) in respect of the Plan, are set out in the section headed "Scheme" below. API announced it received a non-binding indicative proposal from Woolworths Limited to acquire all of the API shares on issue by way of a scheme of arrangement on 2 December 2021. API will continue to keep the market informed in accordance with its continuous disclosure obligations.

#### **Number of Performance Rights to be granted to Mr Vincent**

Subject to shareholder approval, it is intended that Mr Vincent be granted a total of 731,730 Performance Rights under the Plan's 2021 offer (**2021 LTIP**). Upon satisfaction of the Performance Conditions, and, consequently, Performance Rights vesting, Performance Rights will convert into up to 731,730 fully paid ordinary shares in the Company (**Shares**) or, alternatively, Mr Vincent will be paid a cash amount of equivalent value.

The number of Performance Rights to be granted represents 80% of Mr Vincent's fixed remuneration divided by a unit value per Performance Right. This unit value is normally determined by calculating the 10 day volume weighted average closing price (**VWAP**) of Shares immediately after announcement of the full year results. However, on 12 July 2021, the Company announced that it had received an unsolicited, non-binding, conditional indicative proposal to acquire 100% of API shares on issue (**Wesfarmers Proposal**). As the share price may revert to pre-Wesfarmers Proposal levels in the event the Scheme is not implemented, the Board determined that, for the 2021 LTIP, the 10 day VWAP prior to the Wesfarmers Proposal to acquire the Company was to be used, to ensure that the price used reflected the API share price undisturbed by the Wesfarmers Proposal, being \$1.2573.

#### **API's Long Term Incentive Plan**

The Plan and the Performance Rights, through the Performance Conditions detailed below, are designed to:

- focus senior management on medium to long-term performance outcomes and shareholder returns;
- align the interests of senior management with shareholders;
- attract and retain experienced and capable key personnel; and

- reward senior managers for improvements in the Company's performance on factors underlying shareholder value.

The Board is responsible for granting awards under the Plan and for overseeing administration of the Plan. The People and Remuneration Committee is responsible for reviewing and making recommendations to the Board in determining specific awards to individuals.

The material terms of the Plan, which apply to the grant of Performance Rights to Mr Vincent, as well as to other participants under the Plan, are summarised below.

The Rules of the Plan prevent the Company from offering Performance Rights to an employee if the number of Shares which could be issued in respect of all outstanding Performance Rights plus the number of Shares issued during the previous 5 years under any employee share plan would exceed 3% of the total number of Shares on issue on that day.

#### **What is a Performance Right?**

A "Performance Right" is a right to acquire a fully paid ordinary share in API (**Share**) for no consideration, subject to Performance Conditions (as detailed below) being satisfied. Under the Plan, the Shares can either be purchased by the Company on-market or new Shares can be issued by the Company.

If a Performance Condition under the Plan (as described below) is satisfied, Performance Rights vest and then convert into Shares at the rate of one Share per Performance Right. Alternatively, under the Plan, the Board may exercise its discretion to pay a cash amount of equivalent value of the Shares. The Plan permits participants to elect when vested Performance Rights will convert into Shares within the subsequent 5 year period. Conversion of a vested Performance Right must occur during a trading window under, and subject to, the Company's Security Trading Policy.

The number of Performance Rights to be issued and the Performance Period applicable to the Performance Conditions are as follows:

Award	Details
<b>2021 LTIP</b>	<p>731,730 Performance Rights, with a Performance Period from 1 September 2021 to 31 August 2024.</p> <p>50% of the Performance Rights are subject to the Return on Equity (<b>ROE</b>) Performance Condition and 50% are subject to the Earnings per Share (<b>EPS</b>) Performance Condition (both as described below).</p>

No amount is payable by Mr Vincent for the grant of the Performance Rights or on conversion of the Performance Rights into Shares.

#### **Performance Conditions**

The information below assumes that the Scheme is not implemented and does not become effective.

Mr Vincent's Performance Rights will vest and he will be entitled to receive Shares to the extent that the Performance Conditions (as detailed below) are achieved.

50% of the Performance Rights are dependent on satisfaction of the ROE Performance Condition and 50% of the Performance Rights are dependent on satisfaction of the EPS Performance Condition. The Performance Conditions are assessed once only after the end of the relevant Performance Period (set out above). No re-testing will occur. If the minimum target for a Performance Condition is not satisfied, the Performance Rights subject to that Performance Condition will lapse.

The Board has determined that it will revert to the setting of the ROE Performance Condition and the EPS Performance Condition in the manner that it had done prior to the 2020 LTIP and the impact of the COVID-19 pandemic on business performance and planning.

If the Scheme is implemented and does become effective, the Performance Rights will be treated as described in the section headed "Scheme" below.

#### **ROE Performance Condition**

The ROE Performance Condition compares the aggregate ROE achieved by the API Group during the three year Performance Period against the aggregate ROE target set by the Board for that period (**target ROE**). ROE is expressed as a percentage created by dividing net profit after tax for the relevant financial year by total shareholder equity at the end of the relevant financial year (as reported in the Statement of Financial Position in the Annual Report for the financial year). The target ROE may be varied by the Board in its absolute discretion to adjust if appropriate, having regard to shareholders' interests, relevant circumstances at the time and appropriate independent advice.

For the 2021 LTIP ROE Performance Condition to be satisfied, the total ROE achieved during the three year Performance Period must equal or exceed the minimum aggregate ROE target.

#### **EPS Performance Condition**

The EPS Performance Condition compares the compound annual growth rate (CAGR) in earnings per share achieved by the API Group during the three year Performance Period against the target EPS CAGR set by the Board for the same period (**target EPS**). EPS is the basic earnings per share disclosed in the Income Statement of the Financial Statements of API for each financial year during the Performance Period. The target EPS may be varied by the Board in its absolute discretion to adjust if appropriate, having regard to shareholders' interests, relevant circumstances at the time and appropriate independent advice.

The basic EPS to serve as the initial benchmark to measure CAGR will be an EPS based on the reported NPAT, as at 31 August 2021. This was 0.3 cents per share.

For the 2021 LTIP EPS Performance Condition to be satisfied, the EPS CAGR achieved during the three year Performance Period must equal or exceed the minimum EPS CAGR target.

#### **Retrospective disclosure of specific Performance Conditions**

The Board does not intend to provide earnings guidance to the market and therefore has determined that it is not appropriate to publish the actual ROE and EPS targets which constitute the Performance Conditions of the 2021 LTIP offer at this time. However, the Board will disclose the minimum and maximum targets set for the ROE and EPS Performance Conditions after the end of the Performance Period, once the participants' performance under the Plan been calculated and finalised.

#### **Vesting Scale**

If the aggregate EPS or ROE achieved respectively during the three year Performance Period is more than the minimum relevant EPS or ROE aggregate target for the Performance Period, then the number of Performance Rights that vest will be calculated on a straight-line basis between the minimum and maximum targets, in accordance with the vesting scale detailed below.

<b>Performance Condition</b>	<b>Weighting</b>	<b>Vesting at Minimum Performance (% of Rights)</b>	<b>Vesting at Maximum Performance (% of Rights)</b>
ROE	50%	25%	50%
EPS	50%	25%	50%

#### **Leaving Employment**

If Mr Vincent leaves the employment of the Company before the end of the Performance Period, the treatment of the Performance Rights will depend on the reasons for departure.



If Mr Vincent resigns or is dismissed for cause, his Performance Rights will lapse. If Mr Vincent leaves the employment of the Company as a result of redundancy, death, permanent disability or illness, the treatment of the Performance Rights is set out below.

In each case, if Mr Vincent ceases employment within one year of the start of the relevant Performance Period, the relevant Performance Rights lapse.

If Mr Vincent leaves the employment of the Company after the first year of the Performance Period as a result of redundancy, death, permanent disability or illness, at the end of the Performance Period Mr Vincent's performance will be tested against the Performance Conditions and the number of Performance Rights to vest will be reduced pro rata to reflect the length of time during the Performance Period for which Mr Vincent had been employed. The Board may determine to test the Performance Conditions (over a shortened period) at the time Mr Vincent leaves employment with API. If the Performance Conditions are satisfied at the time of testing, the number of Performance Rights that vest can be converted by Mr Vincent. Upon conversion of the Performance Rights, the Board has a discretion to provide the participant with either Shares or a cash payment equal to the value of Shares the participant would have received calculated by reference to the closing price of Shares on ASX on the last trading day before the end of the Performance Period.

The Board retains a discretion to vary the above, including by treating an executive who leaves the Company as a "good leaver" as entitled to retain some Performance Rights, depending on the circumstances at the relevant time.

There is also a power for the Board to decide to "claw back" any award if, during the 12 month period after the offer is made, issues relating to performance arise which, if known at the time of the award, would have resulted in no award having being made.

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by shareholders under section 200E of the Corporations Act or an exemption applies. Section 200B of the Corporations Act applies to managerial or executive officers of the Company or any of its subsidiaries, which includes Mr Vincent. The term "benefit" has a wide operation and could include the early vesting of the Performance Rights as contemplated above or otherwise under the Plan.

Accordingly, for the purposes of sections 200B and 200E of the Corporations Act, shareholder approval is also sought to allow vesting of Performance Rights and settlement of them with Shares or a cash equivalent payment upon Mr Vincent ceasing employment, including where to do so would involve the giving of a "benefit" to Mr Vincent in connection with him ceasing to hold a managerial or executive office. The approval is sought in relation to the Performance Rights proposed to be granted to Mr Vincent under Item 4 in this Notice.

The value of any benefit relating to the Performance Rights given in connection with Mr Vincent ceasing to hold managerial or executive office cannot presently be ascertained. However, matters, events and circumstances that will, or are likely to, affect the calculation of that value are:

- the number of Performance Rights held by Mr Vincent prior to cessation of employment;
- the circumstances of or reasons for Mr Vincent's cessation of employment (including whether Mr Vincent is treated as a "good leaver");
- the result of any pro rating on cessation of employment;
- whether Performance Conditions are waived or (if not waived) met, and the number of Performance Rights that vest (which could be all of the Performance Rights held by Mr Vincent);
- whether the Performance Rights are settled in Shares or by payment of a cash equivalent amount; and
- the market price of Shares on ASX on the date Shares are provided to Mr Vincent.

**Change of Control**

Under the Plan rules, if a change of control in relation to the Company occurs, the Board may determine that all or a portion of any unvested Performance Rights will automatically lapse, or will automatically vest (and whether the awards are satisfied by Shares or by the payment of a cash amount of equivalent value on vesting) with or without assessment against the relevant Performance Conditions.

**Variations of Share Capital**

Under the rules of the Plan, the Board may (having regard to the Listing Rules) make adjustments to the number of Shares to be provided to a participant upon the conversion of Performance Rights if there are changes in the capital structure through, for example, a rights issue or bonus entitlement.

**Additional Information**

Under Listing Rule 10.14, the Company must not permit the following persons to acquire equity securities under an employee incentive scheme unless it obtains the approval of its shareholders by ordinary resolution:

- a Director (Listing Rule 10.14.1);
- an associate of a Director (Listing Rule 10.14.2); or
- a person whose relationship with the Company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders.

Furthermore, the notice of meeting to obtain approval must comply with Listing Rule 10.15.

The proposed Grant of Performance Rights to Mr Vincent, a Director, falls within the category of persons in Listing Rule 10.14.1 and, therefore, requires the approval of the Company's shareholders under Listing Rule 10.14. Mr Vincent is the only Director entitled to participate in the Plan. No associate of any Director is entitled to participate.

The resolution in Item 4 therefore seeks the required shareholder approval to the grant of Performance Rights for the purposes of Listing Rule 10.14.

If the resolution in Item 4 is passed, the Company will be able to proceed with the grant of Performance Rights as described in these explanatory notes.

If the resolution in Item 4 is not passed, the Company will not be able to proceed with the grant of Performance Rights to Mr Vincent. In this situation, it is intended that awards will be provided to Mr Vincent in the form of an equivalent cash payment in lieu of Performance Rights, subject to performance, service and other conditions to be determined by the Board.

In accordance with Listing Rule 10.15, the following information is provided in relation to the Performance Rights to be granted to Mr Vincent under the Plan:

- As set out in the Remuneration Report, the Board considers that Performance Rights granted under the Plan are the appropriate form of incentive because they reward executives for achievement of financial and business objectives over a three year period and align management and shareholder interests through the ownership of Shares.
- As set out in the Company's Remuneration Report, a value has been attributed to Performance Rights which have previously been granted using the aggregated fair value of each Performance Right, which is adjusted to reflect the actual and/or likely number that will vest, based upon an assessment of non-market based performance vesting conditions. This valuation method uses the Black-Scholes option pricing model which is described in more detail in Note 24 to the Company's Consolidated Financial Statements (which are available in the 2021 Annual Report). As an example, Note 24 explains that the fair value of Performance Rights granted under the 2020 LTIP on 3 February 2021 was \$1.12 per right (although this does not take into account non-market Performance Conditions). That Note also explains that the valuation model depends on a number of metrics, including the API share price as at the date on which the Performance Rights

are granted, and accordingly, it is not currently possible to value the Performance Rights which will be granted to Mr Vincent if approval is given.

- As a Performance Right entitles Mr Vincent to one Share, assuming the maximum number of Performance Rights vest, the maximum number of securities to be acquired by Mr Vincent in respect of this item is 731,730 Shares.
- No amount is payable by Mr Vincent for the grant of the Performance Rights or on conversion of the Performance Rights into Shares if they vest.
- Apart from Mr Vincent, no Director is entitled to participate in the Plan and no Director has previously participated in the Plan (other than former Chief Executive Officer and Managing Director, Mr Stephen Roche).
- There is no loan applicable in relation to the acquisition of Performance Rights under the Plan or the Shares which are awarded upon their vesting.
- If approval is given, Performance Rights will be granted to Mr Vincent as soon as practicable after the Meeting but in any event, within 12 months, and the date by which the Company will issue the securities the subject of this approval to Mr Vincent under the Plan (being any Shares which will be issued upon vesting and conversion of Performance Rights) is no later than 8 years after the Meeting.
- Hedging of unvested Performance Rights is not permitted.
- No voting rights or entitlements to dividends are received on Performance Rights. After the vesting of any Performance Rights and their conversion into Shares, a cash payment may be paid equivalent to the value of any declared and paid interim and full year dividend during the Performance Period and calculated by reference to the number of Shares converted.
- If approval is given under Listing Rule 10.14 (which relates to shareholder approval for the issue of securities to directors under employee share schemes) for the issue of securities to Mr Vincent, approval is not required under Listing Rule 7.1 (which relates to shareholder approval for issues of capital).
- At the date of this Notice, Mr Vincent's total current remuneration package (which relates to the year commencing 1 November 2021) comprises:
  - fixed annual remuneration (including superannuation) of \$1,150,000 per annum;
  - an opportunity to receive a short term incentive equivalent to 100% of fixed remuneration (half being cash and half being performance rights issued under the Group's short term incentive plan) if certain performance conditions are met (the overall structure of this short term incentive is generally the same as that which is described in respect of the prior year in the Remuneration Report, subject to financial and non-financial measures); and
  - opportunities to acquire Shares if relevant Performance Conditions are met in respect of Performance Rights granted to him under the 2019 LTIP and 2020 LTIP (which were each approved by shareholders at the relevant annual general meetings of the Company).
- As Chief Executive Officer and Managing Director, and as approved by shareholders at annual general meetings of the Company, Mr Vincent has been granted a total of 2,318,224

Performance Rights under the Plan as follows:

	<b>Grant date</b>	<b>Number of Performance Rights Granted</b>	<b>Overall Performance Rights outcome</b>	<b>Average acquisition price</b>
2020 LTIP	3/2/2021	825,400	Performance period not completed	Nil conversion price
2019 LTIP	20/2/2020	495,711	Performance period not completed	Nil conversion price
2018 LTIP	12/2/2019	416,954	0% vested 100% lapsed	Nil conversion price
2017 LTIP	13/2/2018	402,264	0% vested 100% lapsed	Nil conversion price
2016 LTIP	13/2/2018	177,895	16% vested 84% lapsed	Nil conversion price

Details of any securities issued under the Plan will be published in the Company's annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who became entitled to participate in an issue of securities under the Plan after the resolution is approved and who were not named in this Notice, will not participate until approval is obtained under Listing Rule 10.14.

#### **Scheme**

On 8 November 2021, the Company entered into a Scheme Implementation Deed under which it is proposed that WFM Investments Pty Ltd, a wholly owned subsidiary of Wesfarmers, will acquire all of the API Shares that Wesfarmers does not already own, by way of the Scheme.

Under the Scheme Implementation Deed, the Company must either cause a vesting of, or take such other action as necessary to cancel, all outstanding Performance Rights prior to the implementation of the Scheme. Accordingly, subject to the Scheme being approved by API shareholders and becoming effective, all outstanding Performance Rights will be cancelled for cash consideration prior to the record date for the Scheme.

#### **Board Recommendation**

The Directors consider that the proposed grant of Performance Rights described above aligns Mr Vincent's long term incentive with the interests of shareholders because the Performance Conditions set challenging hurdles which must be met before Mr Vincent can receive Shares. The Board (excluding Mr Vincent because of his interest) recommends that the shareholders vote in favour of Item 4.