



adairs

**NOTICE OF ANNUAL  
GENERAL MEETING 2021**



# NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2021 Annual General Meeting of Adairs Limited (the **Company**) will be held as a virtual meeting on Wednesday, 20 October 2021 at 11:00am (AEDT) (the **Meeting**). Shareholders may attend virtually via the following website: <https://agmlive.link/ADH21>

## AGENDA ITEMS

### 1. ANNUAL FINANCIAL REPORT

To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and Auditor for the year ended 27 June 2021.

### 2. RE-ELECTION OF DIRECTORS

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Michael Cherubino, being eligible, be re-elected as a Director of the Company."

### 3. ELECTION OF DIRECTORS

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Brett Chenoweth, being eligible, be elected as a Director of the Company."

### 4. REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the year ended 27 June 2021 be adopted."

*Note: The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this resolution (see item 2 of the notes relating to voting).*

### 5. APPROVAL OF LONG-TERM INCENTIVE GRANT OF OPTIONS TO MARK RONAN

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of options to Mark Ronan as his annual long-term incentive for the year ended 26 June 2022 on the terms described in the explanatory notes accompanying this Notice of Meeting."

*Note: A voting exclusion statement applies to this resolution (see item 2 of the notes relating to voting).*

### 6. APPROVAL OF LONG-TERM INCENTIVE GRANT OF OPTIONS TO MICHAEL CHERUBINO

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of options to Michael Cherubino as his annual long-term incentive for the year ended 26 June 2022 on the terms described in the explanatory notes accompanying this Notice of Meeting."

*Note: A voting exclusion statement applies to this resolution (see item 2 of the notes relating to voting).*

### 7. ALTERATION TO THE TERMS OF OPTIONS ISSUED UNDER THE COMPANY'S EQUITY INCENTIVE PLAN

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval be given for the purposes of ASX Listing Rule 6.23.4 and for all other purposes to amend the terms of options which have been issued under the Company's Equity Incentive Plan to allow for a cashless exercise mechanism to be adopted."

*Note: a voting exclusion statement applies to this resolution (see item 2 of the notes relating to voting).*

### 8. APPROVAL OF NON-EXECUTIVE DIRECTORS REMUNERATION

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the maximum aggregate annual remuneration of the non-executive directors be increased by \$200,000 from \$600,000 to \$800,000 per annum."

*Note: A voting exclusion statement applies to this resolution (see item 2 of the notes relating to voting).*

By Order of the Board

**Fay Hatzis**  
Company Secretary

20 September 2021

# NOTES RELATING TO VOTING

The notes relating to voting and the explanatory notes form part of this Notice of Meeting.

## 1. ENTITLEMENT TO VOTE

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares in the Company as at 7:00 pm AEDT on Monday, 18 October 2021 will be entitled to attend and vote at the Meeting as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

## 2. VOTING EXCLUSIONS

### Agenda item 4

The Company will disregard any votes cast on Agenda item 4:

- › by or on behalf of a member of the Company's key management personnel (**KMP**) named in the Company's Remuneration Report for the year ended 27 June 2021 or their closely related parties (regardless of the capacity in which the vote is cast); or
- › as a proxy by a person who is a member of the Company's KMP at the date of the Meeting or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on Agenda item 4:

- › in accordance with a direction in the Voting Form; or
- › by the person chairing the Meeting, in accordance with an express authorisation in the Voting Form to exercise the proxy even though Agenda item 4 is connected with the remuneration of the KMP.

### Agenda item 5 and 6

The Company will disregard any votes cast on Agenda items 5 and 6:

- › in favour of the resolutions by or on behalf of Mark Ronan and Michael Cherubino and their associates (regardless of the capacity in which the vote is cast); or
- › as a proxy by a person who is a member of the Company's KMP at the date of the Meeting or their closely related parties,

However, votes will not be disregarded if they are cast:

- › as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way;
- › by the Chairman of the Meeting as a proxy for a person entitled to vote on the resolution, pursuant to an express authorisation in the Voting Form to exercise the proxy as the Chairman decides; or
- › by 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.

### Agenda item 7

The Company will disregard any votes cast on Agenda item 7:

- › in favour of the resolution by or on behalf of any person who holds an option under the long-term incentive plan or any of their associates, regardless of the capacity in which the vote is cast; and
- › as proxy by a person who is a member of the Company's KMP on the date of the Meeting or their closely related parties.

However, votes will not be disregarded if they are cast:

- › as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way;
- › by the Chairman of the Meeting as a proxy for a person entitled to vote on the resolution, pursuant to an express authorisation in the Voting Form to exercise the proxy as the Chairman decides; or

# NOTES RELATING TO VOTING

- › by 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.

## Agenda item 8

The Company will disregard any votes cast on Agenda item 8:

- › in favour of the resolution by or on behalf of any Director and or their associates (regardless of the capacity in which the vote is cast); and
- › as proxy by a person who is a member of the Company's KMP on the date of the Meeting or their closely related parties.

However, votes will not be disregarded if they are cast:

- › as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way;
- › by the Chairman of the Meeting as a proxy for a person entitled to vote on the resolution, pursuant to an express authorisation in the Voting Form to exercise the proxy as the Chairman decides; or
- › by 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.

Please read the information at 3(e) to (f), which (among other things) deals with the Chair's exercise of voting for proxies on all resolutions.

## 3. HOW TO VOTE

### How to vote prior to the Meeting

Shareholders may lodge a direct vote or appoint a proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by submitting a Voting Form to the share registry. Please note that the Voting Form needs to be received by no later than 11.00am (AEDT) on Monday, 18 October 2021.

Even if you plan to attend the Meeting, you are still encouraged to submit a direct vote or directed proxy in advance of the Meeting so that your votes can still be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the Meeting).

### How to attend virtually and vote at the Meeting

The Meeting will be made accessible to shareholders via an online platform which will include the facility for shareholders to submit or ask questions in relation to the business of the meeting, to hear the discussion and to vote in real time at the meeting.

You can access the platform at <https://agmlive.link/ADH21>

- › To log in, you will need your holder identifier (SRN or HIN) and postcode.

Proxy holders will need their proxy number which will be provided by Link Market Services no later than 24 hours prior to the Meeting and following lodgement of the proxy appointment. Voting will be available during the Meeting, as announced by the Chair during the meeting. Online participants should register at least 15 minutes before the Meeting. More information regarding online participation at the Meeting including how to vote and ask questions is available in the Virtual Meeting Online Guide. The Guide is available on the Adairs Investor Relations website ([www.investors.adairs.com.au](http://www.investors.adairs.com.au)) and has been lodged with the ASX.

### Technical difficulties when attending online

Technical difficulties may arise during the course of the online meeting. The Chair has discretion as to whether and how the online meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chair will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where he considers it appropriate, the Chair may continue to hold the online meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

## Appointing a proxy

- a. A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. A shareholder can appoint a proxy by completing and returning a signed Voting Form (see section 4 of these notes relating to voting, and the Voting Form).
- b. A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.
- c. If you wish to direct how your proxy should vote, please mark the appropriate boxes on the Voting Form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.
- d. Unless the Chair of the Meeting is your proxy, members of the Company's KMP (which includes each of the Directors) will not be able to vote as proxy on resolutions 4, 5, 6, 7 or 8, unless you direct them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, you should ensure that you direct that person how to vote on resolution 4, 5, 6, 7 and 8.
- e. If you intend to appoint the Chair of the Meeting as your proxy, you can direct the Chair how to vote by marking the boxes for the relevant resolution (for example, if you wish to vote "for", "against" or to "abstain" from voting). However, if you do not mark a box next to Agenda item 4, 5, 6, 7 or 8, then by signing and submitting the Voting Form, you will be expressly authorising the Chair to vote as they see fit in respect of Agenda items 4, 5, 6, 7 or 8 even though they are connected with the remuneration of the Company's KMP.
- f. All resolutions will be decided by poll. On a poll, if:
  - › a shareholder has appointed a proxy (other than the Chair of the Meeting) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
  - › that shareholder's proxy is either not recorded as attending the Meeting or does not vote on the resolution,the Chair of the Meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the shareholder for the purposes of voting on that resolution and must vote in accordance with the written direction of that shareholder.
- g. Please note that for proxies without voting instructions that are exercisable by the Chair of the Meeting, the Chair intends to vote all available proxies in favour of each resolution.

## 4. VOTING FORM

To be effective a Voting Form must be received no later than 11:00am (AEDT) Monday, 18 October 2021 at:

**By Mail:** Locked Bag A14  
Sydney South NSW 1235

**By Hand:** Link Market Services Limited  
Level 12, 680 George Street  
Sydney, NSW 2000

**By Fax:** +61 2 9287 0309

**Online:** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**Step 1:** Select Investor Login from the right hand menu.

**Step 2:** Enter Adairs Limited as the Issuer.

**Step 3:** Enter your Holder Identifier (which appears under the barcode on the front of your Voting Form) and your postcode or Country.

**Step 4:** Enter the security code, tick the box to accept the terms and conditions and click "Login".

**Step 5:** Select Voting from the top menu and follow the prompts to lodge your Proxy.

# NOTES RELATING TO VOTING

## 5. CORPORATE REPRESENTATIVES

A body corporate that 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 2001* (Cth) (**Corporations Act**). The representative should provide the Company with evidence of his or her appointment, including any authority under which it has been signed, in the same manner, and by the same time, as outlined above for Voting Forms, unless it has previously been given to the Company.

## 6. VOTING BY ATTORNEY

A shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the Meeting. An attorney may but need not be a member of the Company.

An attorney may not vote at the Meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for Voting Forms.

## 7. QUESTIONS FOR THE COMPANY

Shareholders may submit written questions to the Chair about the management of the Company. Written questions must be submitted no later than 5:00pm (AEDT) on Wednesday, 13 October 2021 by submitting them via the Link website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Questions in relation to the management of the Company will be collated and, during the Meeting, the Chair of the Meeting will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the meeting to address all of the questions raised. Please note that individual responses will not be sent to shareholders.

Shareholders will also have the opportunity to submit written questions via the virtual meeting platform and phone questions via the dedicated shareholder question line on the day of the meeting. Further information on how to do so is outlined on the Virtual Meeting Online Guide.

## 8. SUBMITTING QUESTIONS FOR THE AUDITOR BEFORE THE MEETING

Shareholders may submit written questions to the Company's Auditor, Ernst & Young, if the question is relevant to the content of Ernst & Young's Audit Report for the year ended 27 June 2021 or the conduct of its audit of the Company's Financial Report for the year ended 27 June 2021.

Relevant written questions for the Auditor must be received by the Company by no later than 5:00pm (AEDT) on Wednesday, 13 October 2021 by submitting them via the Link website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

A list of written questions will be made available to shareholders attending the Meeting. If written answers are tabled at the Meeting, they will be made available to shareholders as soon as practicable after the Meeting.

The Auditor is not obliged to provide written answers to written questions submitted by shareholders.

# EXPLANATORY NOTES

These explanatory notes have been prepared to help shareholders understand the items of business at the forthcoming Meeting.

## ITEM 1 – ANNUAL FINANCIAL REPORT

The Corporations Act requires:

- › the reports of the Directors and Auditors; and
- › the annual Financial Report, including the Financial Statements of the Company for the year ended 27 June 2021,

to be laid before the Meeting. Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders on the reports or statements. However, shareholders will be given an opportunity to raise questions or comments on the management of the Company.

Also, a reasonable opportunity will be given to shareholders as a whole at the Meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

## ITEM 2 – RE-ELECTION OF DIRECTORS

### Re-election of Michael Cherubino

Michael has been an Executive Director of the Adairs Limited board since listing on the Australian Securities Exchange in 2015 and is a key member of the Senior Executive team. Michael is a very experienced retail executive with extensive knowledge of the retail leasing and property development industry and is able to provide the Board with unique insights to support the Company's growth strategy. The Board does not consider Michael to be an independent director as he is an executive of the Company. Michael is a member of the Nomination Committee.

Michael currently holds the role of Executive Director - Property and Business Development. His key role is pursuing Adair's strategic initiatives with regard to store rollout in Australia and New Zealand along with maximising upsizing store opportunities in key large format Homemaker centres and shopping centres. COVID-19 has presented Adairs and its Board with unprecedented challenges, particularly in respect to managing the group's large store network which continues to deliver the majority of the group's sales and profits. Managing the Government-mandated closures of the store network (totally and partially at different times) across two countries, and the difficult but necessary landlord negotiations that accompanied these closures, were matters of significant importance for Adairs. Michael remains responsible for managing these matters and the Board benefits greatly from having him represent and report directly on that side of the business.

Prior to joining the Adairs business, Michael held financial roles with National Australia Bank and Bankwest.

Michael holds a Bachelor of Business from Curtin University in Western Australia and a Graduate Management qualification from the University of Sydney.

### Recommendation

For the reasons outlined above, the Board (with Michael Cherubino abstaining) unanimously recommends that shareholders vote **in favour** of Michael Cherubino's re-election.

## ITEM 3 – ELECTION OF NEW DIRECTORS

### Election of Brett Chenoweth

Brett is a Non-Executive Director and joined the Board in November 2020. The Board considers Brett to be an independent Director. Brett is Chair of the Board and the Nomination Committee and a member of the Audit and Risk Committee and the Remuneration Committee. Brett brings a wealth of international experience across a variety of sectors including media, technology, entertainment, investment and telecommunications.

In addition to Adairs Limited, Brett is a Non-Executive Director of Janison Education Group and holds a number of unlisted directorships including Vodafone New Zealand, Canberra Data Centres, NSW Land Registries and Madman Entertainment.

Brett formerly served as Chief Executive Officer and Managing Director of APN News and Media and Head of Group Strategy and Mergers & Acquisitions at Telecom New Zealand. His executive career included senior executive roles at The Silverfern Group, ecorp, ninemsn and Village Roadshow.

Brett holds a Bachelor of Laws and a Bachelor of Economics from the University of Queensland and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

# EXPLANATORY NOTES

## Recommendation

For the reasons outlined above, the Board (with Brett Chenoweth abstaining) unanimously recommends that shareholders vote **in favour** of Brett Chenoweth's election.

## ITEM 4 – REMUNERATION REPORT

Shareholders will have a reasonable opportunity at the Meeting to ask questions about or make comments on the Remuneration Report. The Remuneration Report on pages 26-41 of the Company's 2021 Annual Report sets out the remuneration policies of the Company and reports on the remuneration arrangements in place for the Company's KMP during the year ended 27 June 2021. The Annual Report is available on the Company's investor relations website at [investors.adairs.com.au](http://investors.adairs.com.au).

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote and discussion at the Meeting into account in setting remuneration policy for future years.

## Recommendation

The Board unanimously recommends that shareholders vote **in favour** of the adoption of the Remuneration Report.

## ITEMS 5 AND 6 – APPROVAL OF LONG TERM INCENTIVE GRANT OF OPTIONS

Pursuant to ASX Listing Rule 10.14, the Company is seeking shareholder approval for the grant of options to Mark Ronan and Michael Cherubino (each an **Eligible Participant**), as part of their Long Term Incentive (**LTI**) for FY2022.

ASX Listing Rule 10.14 provides that a listed company must not issue securities to a Director under an employee incentive scheme unless it obtains the approval of its shareholders. As both Mark and Michael are Executive Directors of the Company, shareholder approval is being sought for this purpose.

If shareholder approval is obtained, the options pursuant to items 5 and 6 will be granted under the Adairs Limited Equity Incentive Plan (the **Plan**) within 12 months of the Meeting.

## Key terms of the FY2022 LTI grant

The LTI grant is designed to align the interests of the Eligible Participants with the interests of shareholders by providing the opportunity to receive an equity interest in the Company through the granting of options.

It is proposed that Mr Ronan be granted 800,000 options. The calculated fair value of each option is \$0.53. The total value of the grant is therefore \$424,000, which equates to approximately 58% of his fixed annual remuneration of \$730,000 in FY22.

It is proposed that Mr Cherubino be granted 350,000 options. The calculated fair value of each option is \$0.53. The total value of the grant is therefore \$185,500, which equates to approximately 38% of his fixed annual remuneration of \$490,000 in FY22.

As the options form part of the Eligible Participants' remuneration, they will be issued for nil consideration. The exercise price per option payable by an Eligible Participant if the options vest and become exercisable will be the volume weighted average price (VWAP) of Adairs shares over the five trading days immediately prior to the grant date, rounded up to the nearest whole cent per share, plus 5 cents. For the purposes of this calculation the Board may ignore all off-market trades and any other trades which it considers are not fairly reflective of supply and demand.

Each option entitles an Eligible Participant to acquire one ordinary share in the Company on payment of the exercise price. Options will only vest and become exercisable if vesting conditions are satisfied. The Board has discretion to make a cash payment in lieu of an allocation of shares on vesting and exercise of options. The Board may also allow Eligible Participants to use a cashless exercise mechanism to exercise their vested options.

The options do not entitle Eligible Participants to dividends or voting rights however shares arising from the exercise of the options rank *pari passu* in all respects with other ordinary shares (including with respect to dividends and voting rights).

## Performance Period

The performance period is from 28 June 2021 to 30 June 2024.



## Vesting conditions

### 1. Service condition

Unless the Board determines otherwise, for any options to vest and become exercisable, the Eligible Participant must remain employed on a full time basis by the Group at the vesting date. The service condition will be tested on the vesting date for the options, being 29 June 2025.

### 2. Performance conditions

Each proposed grant of options will be subject to two separate performance conditions as follows:

- › 50% of the options will be subject to an earnings per share (**EPS**) performance condition; and
- › 50% of the options will be subject to a total shareholder return (**TSR**) condition.

Both of the performance hurdles are expressed as a compound annual growth rate (**CAGR**) percentage.

#### *Earnings per Share performance condition*

The EPS performance condition will be measured by reference to the CAGR of the Company's EPS over a period of three financial years, commencing on 28 June 2021 and ending on 30 June 2024.

EPS measures the earnings generated by the Company attributable to each share on issue on a fully diluted basis. Calculation of the CAGR of the EPS and achievement against the performance condition will be determined by the Board in its absolute discretion.

The following table outlines the EPS performance hurdles as determined by the Board which must be met in order for options to vest:

EPS CAGR Performance	Proportion of options that will vest against relevant target
Less than or equal to 0% p.a.	Nil
Between 0% and 8% p.a.	Pro-rata vesting on a straight-line basis between 0% and 100%
Equal to, or above, 8% p.a.	100%

For the purpose of this tranche of the LTI, the Board has determined that Company's EPS for the period ending on 27 June 2021 is 44.6 cents per share, which is based on the underlying NPAT of the Company for FY21 of \$75.4 million as disclosed in FY21 our annual report.

#### *Total Shareholder Return performance condition*

The TSR performance hurdle is structured as an absolute TSR growth target, as determined by the Board. TSR combines both share price appreciation and dividends received to show the total return to shareholders with the result expressed as a percentage of the starting share price. This percentage is then converted into a CAGR over the relevant time period.

The starting value for the TSR performance hurdle is \$3.76 representing the 5 day volume weighted average market price (**VWAP**) per share in the 5 days immediately following the release of the Company's FY21 result. The TSR performance period concludes with the closing price based on the 5 day VWAP of the Company's shares following the Company's FY24 full year results announcement.

Calculation of the CAGR and achievement against the performance condition will be determined by the Board in its absolute discretion.

The following table outlines the TSR performance hurdles as determined by the Board which must be met in order for options to vest:

TSR CAGR Performance	Proportion of options that will vest against relevant target
Less than or equal to 8% p.a.	Nil
Between 8% and 15% p.a.	Pro-rata vesting on a straight line basis between 20% and 100%
Equal to, or above, 15% p.a.	100%

# EXPLANATORY NOTES

## Testing of the vesting conditions

Testing of the vesting conditions will occur at the end of the performance period. Any options that do not vest will lapse immediately. Any options that vest will be exercisable until six years after the date of grant.

## Cessation of employment

Where the employment of an Eligible Participant is terminated for cause or they resign, all unvested options and vested but unexercised options will lapse, unless otherwise determined by the Board.

In all other circumstances, a pro rata portion of the unvested options (based on the portion of the performance period that has elapsed) will remain on foot and be subject to the original vesting conditions, as though the Eligible Participant had not ceased employment. Vested but unexercised options will remain on foot and exercisable for a period of three months, after which time they will lapse, unless otherwise determined by the Board.

## Change of control

In the event of a likely change in control of the Company, the Board has a discretion to determine that some or all of the Eligible Participant's options will vest.

If a change of control occurs before the Board exercises its discretion, a pro-rata portion of the options (equal to the portion of the relevant performance period that has elapsed up to the change of control) will vest and be exercisable for a period of three months after the change of control.

## Clawback

The Board has broad "clawback" powers to determine that options lapse or shares allocated on exercise of the vested options are forfeited, or that amounts are to be repaid in certain circumstances (for example, in the case of serious misconduct).

## Restrictions on dealing

An Eligible Participant must not sell, transfer, encumber, hedge or otherwise deal with options.

An Eligible Participant will be free to deal with the shares allocated on exercise of the options, subject to the requirements of the Company's Securities Dealing Policy.

## Additional information provided in accordance with ASX Listing Rules

- › Mr Ronan's total remuneration package as at 31 August 2021 is \$1,617,000, comprising 45% as total fixed remuneration (inclusive of superannuation) and 55% as the maximum amount he can earn as variable remuneration. Further details regarding Mr Ronan's remuneration package are set out in the Remuneration Report in the Company's 2021 Annual Report.
- › Mr Cherubino's total remuneration package as at 31 August 2021 is \$931,000, comprising 49% as total fixed remuneration (inclusive of superannuation) and 51% as the maximum amount he can earn as variable remuneration. Further details regarding Mr Cherubino's remuneration package are set out in the Remuneration Report in the Company's 2021 Annual Report.
- › 3,118,379 options have been granted to Mr Ronan and 1,525,000 options have been granted to Mr Cherubino under the Plan in prior years. Each option held by Mr Ronan and Mr Cherubino entitles them to acquire an ordinary share in the Company subject to meeting specific performance and service conditions, and payment of an exercise price. The range of exercise prices is set out on page 40 of the 2021 Annual Report while the performance and service conditions are assessed and set by the Board each year in which options are proposed to be granted. As the options form part of Mr Ronan's and Mr Cherubino's remuneration they are granted at no cost. No other options have been issued to the Company's Directors under the Plan.
- › Mark Ronan and Michael Cherubino are the only Directors entitled to receive options under the Plan.
- › No loan will be made by the Company in relation to the acquisition of options.
- › The Company uses options because they create share price alignment between executives and ordinary shareholders but do not provide the executives with the full benefit of share ownership (such as dividend and voting rights) unless and until the options vest and are exercised.
- › If shareholder approval is not obtained, the Board will consider alternative arrangements to appropriately remunerate and incentivise Mr Ronan and Mr Cherubino.
- › Details of any options or shares 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 this issue was obtained under ASX Listing Rule 10.14.
- › Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after these resolutions are approved and who are not named in this Notice will not participate until approval is obtained under ASX Listing Rule 10.14.

## Recommendation

The Board (with Mark Ronan and Michael Cherubino abstaining) unanimously recommends that shareholders vote **in favour** of the grant of options to Mark Ronan and Michael Cherubino.

## ITEM 7 – ALTERATION TO THE TERMS OF OPTIONS ISSUED UNDER THE COMPANY’S EQUITY INCENTIVE PLAN

Certain executives, including Mark Ronan and Michael Cherubino, have been granted options under the Company’s Equity Incentive Plan as part of their long term incentive awards. The terms of these options require that an exercise price be paid to exercise any vested options.

Over the last few years, it has become common to include a ‘cashless exercise mechanism’ in incentive plans. Under this mechanism, an executive exercises their options and will receive a number of shares in the Company, however the value of the shares they receive will be reduced by the exercise price that is payable for those options.

For example:

- › if an Executive has 20 options, each with an exercise price of \$5 per option, to exercise those options the Executive would need to pay \$100 up front and the Executive would then receive 20 shares.
- › If a cashless exercise mechanism is adopted, the Executive does not need to pay \$100 up front and instead will receive less shares to take into account the exercise price that would have been payable.
- › If the shares are valued at \$10 per share, the Executive would receive 10 shares on exercise of these 20 options if a cashless exercise mechanism is used and the executive would forfeit 10 shares to ‘pay’ the exercise price (i.e. the Executive exercises 20 options @ \$10 per share = \$200 worth of shares. This amount is then reduced by the total exercise price payable of \$100, which means the Executive is entitled to \$100 worth of shares @ \$10 per share = 10 shares).

The cashless exercise mechanism is not intended to give the executives any additional benefits, it merely facilitates the exercise of options in a way that does not require the executive to make a significant upfront cash payment.

The Board has determined that a cashless exercise mechanism will be in place for any future grants of options under the Company’s Equity Incentive Plan. However, in order to provide this facility for option awards which are already on-foot, shareholder approval is required under Listing Rule 6.23.4. This is because Listing Rule 6.23.4 requires shareholder approval before the Company changes the terms of any existing grants of options.

If shareholder approval is obtained, the terms of the options which are on-foot will be amended to allow executives to use a cashless exercise mechanism to exercise their options. In the event that shareholder approval is not obtained, participants will retain their options and will only be able to exercise them by paying the exercise price upfront in cash.

The Board believes that this change is appropriate, as it does not give the executives any additional benefits, rather it allows the executives to exercise their vested options without making a significant cash outlay up front, and still takes into account the exercise price that is payable for the options.

## Recommendation

The Board (with Mark Ronan and Michael Cherubino abstaining) unanimously recommends that shareholders vote **in favour** of the alteration to the terms of the options.

## ITEM 8 – APPROVAL OF NON-EXECUTIVE DIRECTORS’ REMUNERATION

Under ASX Listing Rule 10.17 and Clause 8.3(a) of the Company’s constitution, shareholder approval must be obtained for any increase in the maximum aggregate remuneration payable out of the funds of the Company to non-executive directors of the Company for their services as Directors, including their service on a committee of Directors (**NED Fee Cap**). It is proposed that the NED Fee Cap be increased by \$200,000 from \$600,000 to a maximum \$800,000 per annum, to be split between the non-executive directors as they determine.

## EXPLANATORY NOTES

The proposed increase will allow for increases in Director fees, as detailed below. The recommended increases are based on a review of fees undertaken by the Company to ensure they remained market competitive.

Role	Current Fee	Proposed Fee	Role	Current Fee	Proposed Fee
Chairman of the Board	\$200,000	\$200,000	Member of Audit & Risk Committee	Nil	\$4,000
Non-Executive Director	\$80,000	\$90,000	Chair of Remuneration Committee	Nil	\$5,000
Chair of Audit & Risk Committee	\$10,000	\$12,000	Member of Remuneration Committee	Nil	\$2,000

The proposed increase will also provide the capacity to appoint additional non-executive directors as required and facilitate better succession planning by allowing the appointment of a new non-executive director before the retirement of an existing non-executive director. No such increases to the composition of the board are currently proposed.

If shareholder approval is obtained, the NED Fee Cap will be increased to \$800,000 per annum. If shareholder approval is not obtained, the NED Fee Cap will remain at \$600,000 per annum. The current Cap of \$600,000 was approved at the October 2018 AGM and directors fees have not increased since this change.

No securities have been issued to Non-Executive Directors under ASX Listing Rule 10.11 or 10.14 within the previous three years.

Details of the amount of remuneration paid to non-executive directors is disclosed on page 37 of the Company's 2021 Annual Report.

### Recommendation

The Board recommends that shareholders vote **in favour** of the increase of the NED Fee Cap.



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adairs

# adairs

Adairs Limited  
ABN 50 147 375 451

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### BY MAIL

Adairs Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000



### ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X999999999999

## VOTING FORM

I/We being a member(s) of Adairs Limited (the **Company**) and entitled to attend and vote hereby appoint:

**A**

### VOTE DIRECTLY



**elect to lodge my/our vote(s) directly (mark box)**



in relation to the Annual General Meeting of the Company to be held at **11:00 am (AEDT) on Wednesday, 20 October 2021**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR

**B**

### APPOINT A PROXY



**the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00 am (AEDT) on Wednesday, 20 October 2021** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting. You can participate by logging in online at <https://agmlive.link/ADH21> (refer to details in the Virtual Meeting Online Guide).

**Important for Items 4, 5, 6, 7 & 8:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Items 4, 5, 6, 7 & 8, even though the Item is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

## VOTING DIRECTIONS

**Voting Forms will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.**

**Please read the voting instructions overleaf before marking any boxes with an ☒.**

### Items

- 2 Re-election of Michael Cherubino as a Director
- 3 Election of Brett Chenoweth as a Director
- 4 Remuneration Report
- 5 Approval of long-term incentive grant of options to Mark Ronan

For Against Abstain\*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 6 Approval of long-term incentive grant of options to Michael Cherubino
- 7 Alteration to the terms of options issued under the Company's Equity Incentive Plan
- 8 Approval of Non-Executive Directors remuneration

For Against Abstain\*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

## SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

ADH PRX2101N

For personal use only



## HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's Share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your Shares using this form.**

### VOTING UNDER BOX A - DIRECT VOTE

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either **"for"** or **"against"** for each item. Do not mark the **"abstain"** box. If you mark the **"abstain"** box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories **"for"** and **"against"** and their votes will be valid.

The Chairman's decision as to whether a direct vote is valid is conclusive.

### VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a Shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form, including where the Items are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your Shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's Share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of Shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either Shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting Virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at [vote@linkmarketservices.com.au](mailto:vote@linkmarketservices.com.au) prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's Share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00 am (AEDT) on Monday, 18 October 2021**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their 'Holder Identifier' - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MAIL

Adairs Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Level 12  
680 George Street  
Sydney NSW 2000

\*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions