

NOTICE OF MEETING

Notice is given that the 2020 Annual General Meeting of shareholders of Australian Pharmaceutical Industries Limited will be held at the Four Seasons Hotel, 199 George Street, Sydney, NSW, 2000 on Wednesday 20th January 2021 at 2.00 pm (AEDT).

Business

Items 2 to 7 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 2020.
2. To adopt the Remuneration Report for the year ended 31 August 2020.

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

Re-election of Directors

3. To re-elect a Director: Lee Ausburn is retiring in accordance with the Company's Constitution and, being eligible, offers herself for re-election.
4. To re-elect a Director: Jennifer Macdonald is retiring in accordance with the Company's Constitution and, being eligible, offers herself for re-election.
5. To elect a Director: Janine Allis, being eligible, offers herself for election.
6. To elect a Director: Clive Stiff, 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

7. 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 accompanying this Notice of 2020 Annual General Meeting, be approved."

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 7 (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 7 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 7 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 Monday, 18 January 2021.

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 Monday, 18 January 2021 (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.

By order of the Board



Anne Mustow
Company Secretary

15 December 2020

Explanatory Notes

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 2020 (together, the **Reports**) will be put before the Annual General Meeting.

The Reports are contained in the Company's 2020 Annual Report, which can be obtained by contacting the Company's Share Registry or by visiting the Company's website www.api.net.au, clicking on the "Investors" tab and following the links to the 2020 Annual Report.

Shareholders may elect to receive by mail, free of charge, the Company's 2020 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 2020 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 2020 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 – Re-election of Director

Rule 3.6 of the Company's Constitution requires a Director to retire from office at the third annual general meeting after the Director was elected or last re-elected. Being eligible, Ms Ausburn offers herself for re-election as a Director.

The profile of Ms Ausburn is set out below.

Ms Lee Ausburn, M.Pharm, Dip.Hosp.Pharm, FAICD

Ms Ausburn has been a Director of the Company since 7 October 2008. She was appointed a member of the Audit and Risk Committee on 7 October 2008. She was appointed a member of the Nomination Committee on 15 August 2012 and its Chair on 8 April 2015. She was appointed a member of the Remuneration Committee on 3 August 2020.

Ms Ausburn is a pharmacist with experience in retail and hospital pharmacy and in academia. She has a long career in the pharmaceutical industry with Merck Sharp and Dohme (Australia) Pty Ltd and was

previously Vice President, Asia, for Merck and Co Inc with responsibility for the company's operations across Asia.

Ms Ausburn was President, Pharmacy Faculty Foundation, University of Sydney until December 2017.

Other listed company directorships Ms Ausburn has held at any time during the last 3 years are:

- nib Holdings Limited (November 2013 – current)
- SomnoMed Limited (September 2011 – 24 August 2020)

Board Recommendation

The Board (excluding Ms Lee Ausburn because of her interest in the matter) recommends that shareholders vote in favour of the re-election of Ms Lee Ausburn.

Item 4 – Re-election of Director

Rule 3.6 of the Company's Constitution requires a Director to retire from office at the third annual general meeting after the Director was elected or last re-elected. Being eligible, Ms Jennifer Macdonald offers herself for re-election as a Director.

The profile of Ms Macdonald is set out below.

Ms Jennifer Macdonald, B.Com, ACA, MEI, GAICD

Ms Macdonald has been a Director of the Company since 9 November 2017. She was appointed a member of the Audit and Risk Committee on 9 November 2017. She was appointed a member of the Remuneration Committee and its Chair on 22 January 2020.

Ms Macdonald has a strong background in financial and general management roles across a range of industry sectors including fast moving consumer goods, travel and digital media.

Ms Macdonald was previously Chief Financial Officer and Interim Chief Executive Officer of Helloworld Travel and Chief Financial Officer and General Manager International at REA Group.

Ms Macdonald is a member of the Institute of Chartered Accountants ANZ and has a Masters of Entrepreneurship and Innovation from Swinburne University. She is also a Graduate of the Australian Institute of Company Directors' Company Directors Course.

Other listed company directorships Ms Macdonald has held at any time during the last 3 years:

- Redbubble Limited (February 2018 – current)
- Bapcor Limited (September 2018 – current)
- Redflow Limited (December 2017 – September 2019)
- Healius Limited (November 2020 – current)

Board Recommendation

The Board (excluding Ms Jennifer Macdonald because of her interest in the matter) recommends that shareholders vote in favour of the re-election of Ms Jennifer Macdonald.

Item 5 – 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 Ms Janine Allis as a Director with effect from 23 October 2020. Being eligible, Ms Allis offers herself for election as a Director.

The profile of Ms Allis is set out below.

Ms Janine Allis

Ms Allis was appointed an Independent Non-executive Director with effect from 23 October 2020.

Ms Allis is a successful businesswoman with extensive experience in retail and franchising. She founded Boost Juice Bars and the Retail Zoo group of food retail brands and has led innovation in digital marketing and customer engagement.

Ms Allis has won numerous retail and franchise awards and has been appointed an Ambassador to United Nations High Commission for Refugees. She is currently a non-executive director of the Olivia Newton-John Foundation and was previously a Director of the Hawthorn Football Club.

Other listed company directorships Ms Allis has held at any time during the last 3 years:

- Michael Hill International Limited (June 2016 – October 2020)

Board Recommendation

The Board (excluding Ms Janine Allis because of her interest in the matter) recommends that shareholders vote in favour of the election of Ms Janine Allis.

Item 6 – 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 Clive Stiff as a Director with effect from 4 December 2020. Being eligible, Mr Stiff offers himself for election as a Director.

The profile of Mr Stiff is set out below.

Mr Clive Stiff

Mr Clive Stiff served as Chief Executive Officer of Unilever Australia and New Zealand from April 2012 to March 2020. Prior to that, he held senior leadership roles at Goodman Fielder and Procter & Gamble.

Mr Stiff is currently an external advisor to Bain & Company and a member of the Advisory Board of Quantum, one of the World's leading data science and artificial intelligence companies. Mr Stiff was formerly the Chair of the Australian Food & Grocery Council, the Chair of T2 Tea and a non-executive Director of Foodbank NSW & ACT.

Board Recommendation

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

Item 7 – 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**).

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 825,400 Performance Rights under the Plan's 2020 offer (**2020 LTIP**). Upon satisfaction of the Performance Conditions, and, consequently, Performance Rights vesting, Performance Rights will convert into up to 825,400 fully paid ordinary shares in the Company (**Shares**).

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 was determined by calculating the 10 day volume weighted average closing price of Shares immediately after announcement of the 2020 full year results, which was \$1.0908.

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

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. 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.

Award	Details
2020 LTIP	<p>825,400 Performance Rights, with a Performance Period from 1 September 2020 to 31 August 2023.</p> <p>50% of the Performance Rights are subject to the Return on Equity Performance (ROE) Condition and 50% are subject to the Earnings per Share (EPS) 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.

Maximum award

An external independent review of API's executive long term incentive structure was conducted and it confirmed that the Managing Director's LTI opportunity was below market median. Accordingly, the Board, upon the recommendation of the Remuneration Committee, reviewed the Plan and determined that the maximum award for the Chief Executive Officer and Managing Director will be 80% of annual fixed remuneration.

This maximum LTIP award increased from 60% of annual fixed remuneration so as to provide a greater reward for the delivery of improved shareholder outcomes and to increase the alignment of the opportunity to earn an incentive award with similar opportunities available to senior executives in the

market generally. The maximum award is intended to reward achieving performance in excess of planned business outcomes.

In making this decision, the Board took into account that the Plan's Performance Condition targets would be set based on the Group's budgeted growth and are considered to be challenging, whilst achievable, targets. The Board considers this maximum award to be appropriate in the context of the level of the Chief Executive Officer and Managing Director's fixed remuneration and taking into account the aims of the Plan described above.

Performance Conditions

Mr Vincent's Performance Rights will vest and he will be entitled to receive Shares if minimum performance (or better) is achieved under either or both of the Performance Conditions (as detailed below).

Having regard to the current market conditions and the need to set meaningful and appropriate performance measures, the Board has decided to continue to establish Performance Conditions using Return on Equity (**ROE**) and Earnings Per share (**EPS**) measures for the Plan (each of ROE and EPS being a **Performance Condition**), which have been used since 2014. These conditions will provide appropriate measurement of the Company's performance in responding to the current business and market conditions, taking account of the Company's specific circumstances and business operations and providing alignment with delivering appropriate shareholder outcomes.

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.

Due to ongoing uncertain business conditions arising from the COVID-19 pandemic and the resulting difficulty in setting appropriate three year performance targets, the Board has determined that it will set three annual targets for each Performance Condition (ROE and EPS) of the 2020 LTIP at the commencement of each year during the Performance Period. Each Performance Condition target will be set according to budgeted ROE and EPS and have a minimum and maximum target level. This will ensure that the performance targets are reasonable in respect of the business conditions and economic environment which exists at the beginning of each year during the Performance Period. For each Performance Condition the three annual targets will be aggregated to provide the minimum and maximum three-year LTIP Performance Condition targets, which will be tested at the end of the three year Performance Period, with any resulting vesting of Performance Rights under the 2020 LTIP occurring after that testing.

In the event the Board determines that the economic environment is sufficiently certain and it is otherwise appropriate to do so, a two-year target for the second and third years of the 2020 LTIP (being the FY22 and FY23 financial years) may be set.

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 targets set by the Board for each financial year during 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 2020 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 (being the sum of the ROE targets set in each of the three financial years of the Performance Period).

EPS Performance Condition

The EPS Performance Condition compares the aggregate EPS achieved by the API Group during the three year Performance Period against the aggregate EPS targets set by the Board for each financial year during 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.

For the 2020 LTIP EPS Performance Condition to be satisfied, the total EPS achieved during the three year Performance Period must equal or exceed the minimum aggregate EPS target (being the sum of the EPS targets set in each of the three financial years of the Performance Period).

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 2020 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.

Performance Condition	Weighting	Vesting at Minimum Performance (% of Rights)	Vesting at Maximum Performance (% of Rights)
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 7 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

On a change of control of the Company, the Board has a discretion to assess the Performance Conditions at that time. In doing so, the Board will have regard to shareholder best interests, the relevant circumstances at the time and appropriate independent advice. If the Board determines that the Performance Conditions measured and assessed at that date have been satisfied (in respect of some or all of the Performance Rights), those Performance Rights will vest and can be converted at that time.

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 7 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 7 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 7 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 22 to the Company's Consolidated Financial Statements (which are available in the 2020 Annual Report). As an example, Note 22 explains that the fair value of Performance Rights granted under the 2019 LTIP on 20 February 2020 was \$1.080 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 825,400 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 AGM 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 2020) comprises:
 - fixed annual remuneration (including superannuation) of \$1,125,430 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 2018 LTIP and 2019 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 1,492,824 Performance Rights under the Plan as follows:

	Grant date	Number of Performance Rights Granted	Overall Performance Rights outcome	Average acquisition price
2019 LTIP	20/2/2020	495,711	Performance period not completed	Nil conversion price
2018 LTIP	12/2/2019	416,954	Performance period not completed	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.

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 7.