



An eventful year under the influence of COVID-19

Company/ASX Code	Ampol Limited (ALD)
AGM date	Thursday 13 May 2021
Time and location	10am, online
Registry	Boardroom Pty Ltd
Webcast	Participate by logging on to https://web.lumiagm.com . Meeting ID 310-385-214. An AGM online users guide may be downloaded from: https://www.caltex.com.au/our-company/investor-centre/shareholder-meetings
Poll or show of hands	Poll on all items
Monitor	Roger Ashley assisted by Don Adams
Pre AGM Meeting?	Yes, with Chairman Steven Gregg and Michael Abbott (Chief Governance and Risk Officer), Penny Barker (Head of Environment and Sustainability) and Dale Koenders – Head of Investor Relations

The individuals or their associates involved in the preparation of this voting intention have no shareholding in this company.

Item 1	Financial Reports
ASA Vote	No vote required

ASA WILL BE VOTING PROXIES AND ASKING QUESTIONS IN THE NORMAL MANNER ONLINE.

Summary of ASA Position

Financial performance

Last year the Company was the subject of a takeover bid that seems to be no longer likely. In 2020 the emphasis has been on restructuring, impairment and the impact of COVID-19.

Restructuring has included:

- The beginning of a program to rebrand “Caltex” outlets to the “Ampol” brand.
- A sale of a 49% interest in 203 core freehold sites and the divestment of 25 sites for \$136m.
- The completion (in early 2021) of a \$300m off-market share buyback
- Issuance of \$500m subordinated notes
- Undertaking a review of the future viability of the Lytton Refinery (results not to hand).

The effect of COVID-19 has been significant particularly on sales of aviation fuel and the impact that lower volumes have had on the profitability of the Lytton refinery. Total Australian fuel sales volumes were 17% lower than the previous year.

Overall statutory net profit after tax (NPAT) (a loss of \$480m) was down year on year (YOY) by \$869m (226%) and underlying NPAT (after restructuring costs, impairment charges and replacement cost operating profit (RCOP) inventory losses) by \$132m (38%). There was a \$132.3m increase in Administration expenses YOY attributed to the restructuring undertaken during the year. While this may decrease in 2021, costs associated with the “Ampol” rebranding (\$66m in 2020) will continue for some two years.

Impairment charges included \$80m for Lytton and \$233m for the future dismantling, removal of assets and remediation of owned and leased sites. The future of the Lytton refinery is still the subject of discussions with the Federal Government which is concerned at the potential closure of the few remaining refining operations in the country.

RCOP inventory losses included in the statutory results (\$360m) reflect the difference between the purchase price of fuel and the cost of fuel at the point of sale. RCOP is a global industry reporting measure that is also used to determine remuneration incentives*.

In the longer term, growth in road fuels particularly will plateau and fall: only the time frame is unknown. An upgrade and expansion of non-fuel retail on existing sites may be providing revenue growth but is unlikely to compensate for the longer-term decline in fossil fuel volumes. The Annual Report recognises the risk but does not provide any strategic direction. We were advised that the results of an internal strategic review should be announced in the first half of 2021. The company is currently pilot testing EV charging stations at some seven sites.

We were advised that the conversion of franchised service stations to company owned following past underpayment of wages by some franchisees is essentially complete and no adverse reactions are expected.

The company intends to implement the Task Force on Climate-related Financial Disclosures recommendations in 2021. It will also publish a decarbonisation strategy in the near future.

** Replacement Cost of Sales Operating Profit (RCOP) measure applies a cost of sales based upon the current, or replacement cost of product, to revenue rather than the actual purchase price and is a preferred, non-statutory, profit measure within the company.*

Key events

In 2020 there was an interest expressed in the company by two potential suitors: Alimentation Couche-Tard of Canada and the British EG Group. This is no longer the case.

There are two legal cases proceeding against the company, both of which are being defended. One case has been brought by the EG Group and relates to the terms of their supply agreement and the other by the Chevron Group seeking to restrain Ampol from using the Ampol trade marks together with the Chevron trade marks in a manner which represents that the marks are owned by the same or associated entities. Both cases are being defended.

ASA focus issues

The company’s policy for non-executive directors’ shareholdings is to require each Director to accumulate shares to the value of the annual base fees within three years of the Director’s appointment to the Board. Gender diversity on the Board and in senior leadership positions is company policy and there is an objective to eliminate gender-based pay differences.

A prospective tender for audit services has been deferred but will be revisited in 2021.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	(485)	384	560	619	611
UPAT (\$m)	212	344	538	621	524
Share price (\$)	28.42	33.95	25.48	34.05	30.46
Dividend (cents)	76	93	118	121	102
TSR (%)	(14.1)	36.9	(21.7)	15.8	(16.5)
EPS (cents)	(194)	151	215	237	232
CEO total remuneration, actual (\$m)	3.6	2.9	4.4	8.0	7.8

For 2020, the CEO's total actual remuneration was **39.3 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

This total includes a special "retention award" of \$1.5m announced in the 2019 annual report to ensure that the new CEO and other executives would stay through the turbulent year (protracted take-over bid and MD & CEO transition).

Item 2	Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO Remuneration Structure

FY20	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.808	38%	1.808	27%
STI - Cash	1.265	27%	2.529	37%
STI – Equity*	0	0	0	0
LTI	1.650	35%	2.475	36%
Total	4.723	100.0%	6.812	100%

See below for outline of changes for FY21, including no longer paying STI 100% in cash

We have previously voted against the remuneration report but intend to vote in favour (with reservations) based on changes to the remuneration structure from 2021. We note that in 2020 senior executives (and Non-Executive Directors) had their salaries reduced by 20% for 3 months and no short-term incentive (STI) was awarded. In addition there will be no increase in fixed remuneration in 2021 for senior executives.

Changes to the remuneration structure from 2021 include:

- The maximum STI opportunity will be reduced from 140% of base salary to 105%,
- 40% of any STI award will be deferred as equity for two years rather than being paid immediately upon vesting in cash and
- The long-term incentive (awarded as equity) will be deferred for one year after vesting.

Our reservations over the remuneration structure are that the STI gateway (based on RCOP NPAT) applies only to some 65% of the STI; the remaining 35% being undisclosed personal goals. We also would prefer a minimum 4 year period for the LTI award, rather than 3 years. We note too that the Board reserves the right to make adjustments to both the STI and LTI awards but historically has refrained from doing so.

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

Item 3a	Re-election of Mark Chellew as a Director
ASA Vote	For

Summary of ASA Position

Mark Chellew was appointed as a Director of Ampol on 2 April 2018 and has international expertise in industry, strategy, governance and large capital projects with a background in the manufacturing, mining and process industries. He is currently Chairman of Cleanaway Waste Management Limited. He is a member of the Safety and Sustainability Committee, Human Resources Committee and Nomination Committee.

There is no known reason not to support Mr. Chellew's re-election.

Item 3b	Election of Michael Ihlein as a Director
ASA Vote	For

Summary of ASA Position

Michael Ihlein was appointed as a Director of Ampol on 1 June 2020 and brings to the Board financial expertise and experience as an international executive from a range of industries, including previous roles as CEO and CFO of Brambles Limited and CFO of Coca-Cola Amatil Limited.

He is currently a director of Scentre Group and CSR Limited.

He is Chairman of the Audit Committee and a member of the Safety and Sustainability Committee and Nomination Committee.

There is no known reason not to support Mr. Ihlein's re-election

Item 3c	Election of Gary Smith as a Director
ASA Vote	For

Summary of ASA Position

Gary Smith was appointed as a Director of Ampol on 1 June 2020 and is a member of the Human Resources Committee, Safety and Sustainability Committee and Nomination Committee. He brings to the Board substantial Australian and international oil industry experience with a career in oil and gas spanning 40 years, including General Manager Refining, Supply and Distribution of Ampol Limited.

There is no known reason not to support Mr. Smith's re-election

Item 4	Grant of 2021 Performance Rights to the MD and CEO
ASA Vote	For

Summary of ASA Position

The CEO's LTI grant for 2021-23 is 90,880 shares at maximum opportunity. This represents a target award of \$1.65 million based on a VWAP of \$27.23 per share (actual value) for 20 days to 1 January 2021.

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

Our vote in favour reflects our vote in favour of the 2021 Remuneration Report.

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