

# AUSTAL LIMITED

ACN 009 250 266

## Notice of Annual General Meeting

and

## Agenda

and

## Explanatory Memorandum

### A PROXY FORM IS ENCLOSED

<b>Date of Meeting:</b>	<b>Friday 30 October 2020</b>
<b>Time of Meeting:</b>	<b>1.00pm (WST)</b>
<b>Place of Meeting:</b>	<b><a href="https://agmlive.link/ASB20">https://agmlive.link/ASB20</a></b>

*This Notice of Annual General Meeting and accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*If you are unable to attend the Annual General Meeting, please complete and return the enclosed Proxy Form in accordance with the specified instructions.*

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the Shareholders of Austal Limited will be held online at <https://agmlive.link/ASB20> on **Friday, 30 October 2020 at 1.00pm (WST)** for the purpose of transacting the business referred to on the pages following this Notice of Annual General Meeting.

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

**As a result of the COVID-19 pandemic, the Company will be holding its AGM online via a virtual meeting with live webcast only.**

**Shareholders who wish to attend virtually should follow the Online User Guide accompanying this Notice of Annual General Meeting.**

**Attending the AGM online enables Shareholders to listen to the AGM live, view slides in time with the Chairman and Executive presentations, vote on the Resolutions and submit questions.**

# Agenda

1. **Opening of the Annual General Meeting by the Chairman – Mr John Rothwell**
2. **Operating and financial overview by the Chief Executive Officer – Mr David Singleton**
3. **Directors' Report and financial statements**

Receipt of the consolidated financial statements of Austal Limited (the **Company**) and its subsidiaries for the year ended 30 June 2020 together with the Directors' declaration and Report in relation to that financial year and the Auditors' report on those financial statements.

4. **Resolution 1 – Non-binding resolution to adopt Remuneration Report**

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

*"That the Remuneration Report as set out in the Annual Report for the year ended 30 June 2020 be adopted."*

Note: Section 250R(3) of the *Corporations Act 2001* (Cth) (**Corporations Act**) provides that the vote on this Resolution is advisory only and does not bind the Directors. However, there are potentially serious consequences associated with a "No" vote greater than 25%. Please see section 2 of the Explanation Memorandum for details.

#### **Voting Exclusion Statement**

*To the extent required by section 250R of the Corporations Act, the Company will disregard any votes cast in favour of this Resolution by or on behalf of a member of the Key Management Personnel (**KMP**) (which includes each of the Directors), named in the Company's Remuneration Report, or that KMP's Closely Related Party (in any capacity), unless the vote is cast:*

- (a) as a proxy for a person entitled to vote on this Resolution in accordance with a direction on the proxy form; or*
- (b) by the chair of the Meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on this Resolution and expressly authorises the chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

5. **Resolution 2 – Re-election of Mr John Rothwell AO**

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

*"That Mr John Rothwell AO, being a Director of the Company who retires in accordance with Article 8.1(f) of the Company's Constitution and, being eligible, is re-elected as a Director of the Company."*

6. **Resolution 3 – Election of Mr Michael McCormack**

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

*"That Mr Michael McCormack, having been appointed as a director of the Company on a casual basis since the last annual general meeting and who retires in accordance with Article 8.1(b) of the Company's Constitution, and being eligible, is elected as a director of the Company."*

7. **Resolution 4 – Approval of the issue of Share Rights to Ms Sarah Adam-Gedge**

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

*"That, pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to \$25,000 worth of Share Rights to Ms Sarah Adam-Gedge on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Share Rights."*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the 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.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 4 or an associate of that person or persons.*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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*
  - (ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.**

8. **Resolution 5 – Approval of the issue of Share Rights to Mr Chris Indermaur**

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

*"That pursuant to and in accordance with ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to \$25,000 worth of Share Rights to Mr Chris Indermaur on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Share Rights."*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the 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.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 5 or an associate of that person or persons..*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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*
  - (ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.**

9. **Resolution 6 – Approval of the issue of Share Rights to Mr Michael McCormack**

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

*“That, subject to the passing of resolution 3 above, pursuant to and in accordance with ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to \$25,000 worth of Share Rights to Mr Michael McCormack on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Share Rights.”*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the 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.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 6 or an associate of that person or persons..*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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**

(ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.

11. **Resolution 7 – Approval of the issue of STI Rights to Mr David Singleton**

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

*“That pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of **127,446** Short Term Incentive Deferred Equity Rights (**STI Rights**) for FY20 under the Austal Limited Rights Plan to Mr David Singleton, on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Rights.”*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the 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.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by or on behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 7 or an associate of that person or persons..*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
  - (i) 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*
  - (ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.*

**Proxy Instructions**

A Shareholder who is entitled to attend and cast a vote at the meeting has a right to appoint a proxy. A proxy need not be a Shareholder. Proxyholders will be emailed a unique proxyholder code within 24hrs of the meeting. Shareholders who are entitled to cast two or more votes are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion or number of the Shareholder's voting rights and a separate proxy form should be used for each proxy. An additional proxy form will be supplied by the Company on request. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. For further information on proxy instructions, please refer to the Proxy Form.

The Proxy Form (and the Power of Attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and

the Power of Attorney or other authority) must be deposited at, or sent by facsimile transmission to, the Company's share registry service provider, Link Market Services Ltd at the following details

if by Post: Austal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia

If by Facsimile: +61 2 9287 0309

If by Hand: Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

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

Select 'Shareholders Login' and in the 'Single Holding' section enter Austal Limited or the ASX code (ASB) in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your proxy form or on your holding statement), postcode, security code which is shown on the screen, tick the terms and conditions agreement and click 'Login'.

Select the 'Voting' tab and then follow the prompts.

You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

Completed proxy forms must be returned to one of the above addresses (or online proxy lodgement) not less than 48 hours before the time for holding the Annual General Meeting.

#### Participating in the Meeting online

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Meeting using the instructions below:

Enter <https://agmlive.link/ASB20> into a web browser on your computer or online device:

- Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) printed at the top of the Proxy Form or statements and their registered postcode; and
- Proxyholders will need their proxy code which Link Market Services will provide via email within 24 hours prior to the Meeting.

Further information on how to participate, vote and ask questions virtually, refer to the Online Platform Guide available at [www.austal.com](http://www.austal.com)


### **Corporate Representatives**

A Shareholder that is a corporation may appoint an individual to act as its representative and vote at the virtual Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. Written proof of the representative's appointment (including any authority under which it is signed) must be lodged with, or presented to the Company's share registry before the Meeting. Shareholders can download and fill out the 'Appointment of Corporate Representation' form from Link Market Services Limited's website – [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Hover over 'Resources' Select the Investor Services tab and click on 'Forms' and then select 'Holding Management'.

### **Voting Entitlement**

It has been determined that under regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), for the purposes of determining voting entitlements at the Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 4.00pm (WST) (being 7.00pm Sydney time) on Wednesday, 28 October 2020.

**BY ORDER OF THE BOARD  
AUSTAL LIMITED**

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line that tapers to the right.

**John Rothwell**  
Non-executive Chairman  
1 October 2020



# AUSTAL LIMITED

ACN 009 250 266

## Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of Austal Limited (**Austal** or **Company**) in connection with the business to be conducted at the **Annual General Meeting of Shareholders** to be held online at <https://agmlive.link/ASB20> on **Friday, 30 October 2020** at **1.00pm (WST)**.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

Certain terms and abbreviations used in this Explanatory Memorandum have defined meanings which are explained in Attachments 1 and 2 at the end of this Explanatory Memorandum.

### Ordinary Business

#### 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 30 June 2020,

to be laid before the Meeting. The Corporations Act does not require a vote of Shareholders on the reports or statements. However, Shareholders will be given ample 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 auditor of the Company's 2020 financial statements 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.

If you wish to put questions to the Chairman of the Meeting or the Company's Auditor, you are encouraged to lodge your questions online through the ask question button, once registered for the meeting at <https://agmlive.link/ASB20>

#### 2. Resolution 1 – Non-binding resolution to adopt Remuneration Report

The Corporations Act requires listed companies to make expanded disclosure in respect of Director and executive information. As a result, the Directors' Report must include a section called the "Remuneration Report". The Annual Report for the year ended 30 June 2020 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and Non-Executive Directors. A copy of the Remuneration Report is set out on pages 31 - 59 of the Annual Report and can also be found on the Company website at [www.austal.com](http://www.austal.com).

Section 250R(2) of the Corporations Act requires listed companies to put the Remuneration Report for each financial year to a vote of members at the Company's annual general meeting.

Under section 250R(3) of the Corporations Act, the Shareholder vote on this Resolution is advisory only and will not bind the Directors or the Company. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the Company's remuneration policy.

In addition, under section 250W of the Corporations Act, if 25% or more of the votes cast on the resolution are voted against adoption of the Remuneration Report at the Annual General Meeting and then again at the 2021 Annual General Meeting, the Company will be required to put to Shareholders a resolution at the 2021 Annual General Meeting proposing the calling of a further general meeting to consider the election of directors of the Company (a "**Spill Resolution**").

If more than 50% of Shareholders vote in favour of a Spill Resolution, the Company would be required to convene a further general meeting (the "**Spill Meeting**") within 90 days of the 2021 Annual General Meeting. All of the directors who were in office when the 2021 directors' report was approved by the directors, other than the Managing Director, would cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as directors is approved would be the directors of the Company.

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member. Votes cast in favour of this resolution by such parties will be disregarded. However, a person described above (the "**voter**") may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and the voter is either:

- (a) appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or
- (b) the chair of the meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on Resolution 1 and expressly authorises the chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

### **Continuation of revised remuneration arrangements**

Following a comprehensive review and revision of Austal's remuneration arrangements in 2018-19, the Company's remuneration report received overwhelming support at the 2019 AGM. The Company has continued to apply the principles and measures that were so strongly supported through FY2020 and it is hoped that this approach, along with the Company's record performance in FY2020, will allow shareholders to support the FY2020 Remuneration Report.

The Company's 2020 Remuneration Report elaborates on the specific measures in place with further detail on remuneration targets and actual performance.

### **Recommendation**

*The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.*

*The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.*

### **3. Resolution 2 – Re-election of Mr John Rothwell AO**

Mr John Rothwell is required to retire under the Director rotation provisions of Article 8.1(f) of the Company's Constitution. Mr Rothwell, being eligible, has offered himself for re-election as a Director.

Mr Rothwell has played a major role in the development of the Australian aluminium shipbuilding industry with over 40 years of experience in boat and shipbuilding. He is the architect responsible for

the establishment of Austal and was the founding Managing Director. Mr Rothwell identified markets for high speed ferries throughout Asia which resulted in Austal's rapid growth. He saw the potential for US Defence contracts for high speed aluminium naval ships and he led the formation of a new shipyard in Mobile, Alabama in 1998.

Mr Rothwell was appointed as an Officer of the Order of Australia (AO) in January 2004 for services to the Australian shipbuilding industry, and for significant contributions to vocational education and training. He was named "Australian Entrepreneur of the Year" by Ernst and Young in 2002 and he was awarded the Western Australia Citizen of the Year in the category of Industry and Commerce in 1999.

Mr Rothwell stepped down as Executive Chairman and Chief Executive Officer in 2008 to continue as Non-Executive Chairman after managing the Company for 20 years.

#### **Recommendation**

*The Directors (with Mr Rothwell abstaining) unanimously recommend that Shareholders vote in favour of Resolution 2.*

*The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.*

#### **4. Resolution 3 – Election of Mr Michael McCormack**

As announced to the ASX on 14 September 2020, the Board determined to appoint Mr Michael "Mick" McCormack as an independent Non-executive Director of the Company. In accordance with the Company's constitution, Mr McCormack's appointment is on a casual basis until his first Annual General Meeting. The Board therefore nominates Mr McCormack for a permanent appointment at this Annual General Meeting in accordance with clause 8.1(b) and (c) of the Company's constitution.

Mr McCormack has over 36 years' experience in the energy infrastructure sector in Australia and his career has encompassed all aspects of the sector, including commercial development, design, construction, operation and management of most of Australia's gas pipelines and distribution systems. His experience extends to gas-fired and renewable energy power generation, gas processing, LNG and underground storage.

Mr McCormack was Managing Director and CEO of APA Group from 2005-2019 during which time the company achieved an annual compound return to unitholders of over 17% making APA one of the best performing ASX listed companies over that period. During Mr McCormack's tenure as CEO, APA's enterprise value grew from \$1b to \$24b driven by extensive and successful organic growth and M&A activities.

Mr McCormack is a director of Central Petroleum Limited, the Australian Brandenburg Orchestra Foundation, and the Clontarf Foundation.

#### **Recommendation**

*The Directors (with Mr McCormack abstaining) unanimously recommend that Shareholders vote in favour of Resolution 3.*

*The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.*

#### **5. Resolution 4 to 6 – Approval of the issue of Share Rights to Non-Executive Directors**

The Board proposes to continue the existing incentive scheme which enables non-executive Directors of the Company to progressively acquire a shareholding in the Company with a value equal to his/her total

annual base Board remuneration (excluding committee fees) (**Target Shareholding**). The scheme is an ‘employee incentive scheme’ for the purposes of the ASX Listing Rules although in order to preserve Director independence, it is not subject to Company performance measures or thresholds.

The issue of Share Rights under this scheme was approved by Shareholders at the 2018 and 2019 Annual General Meetings. It is proposed to continue those arrangements in 2020.

Resolutions 4, 5 and 6 seek Shareholder approval for Ms Sarah Adam-Gedge, Mr Chris Indermaur and Mr Mick McCormack (together the **Non-Executive Directors**) respectively to receive Share Rights under this incentive scheme. Resolution 6 is subject to the passing of Resolution 3. The Company is not seeking approval to issue further share rights to Mr Giles Everist, as he has already accumulated a shareholding valued at more than his annual base Board remuneration.

The objective of the scheme remains to strengthen the alignment between the interests of the non-executive Directors and Shareholders. Importantly, until a Non-Executive Director holds a number of Shares equal to their Target Shareholding, they may not sell any Shares resulting from the exercise of the Share Rights received (except in circumstances of a change of control).

This scheme is implemented by remunerating each non-executive director that elects to participate through a combination of cash (75% of base Board remuneration) and Share Rights (25% of base Board remuneration). This remuneration model will continue until that non-executive director holds a number of Shares (or Share Rights that would, if exercised, result in a number of Shares) equal to their Target Shareholding.

Ms Sarah Adam-Gedge and Mr Chris Indermaur have already accumulated reasonable shareholdings in the Company, hence it is possible that the issue of Share Rights as contemplated by the resolution to those Non-executive Directors will cease during the 2021 Period, when they have reached the Target Shareholding. If that happens, those Non-executive Directors may elect to cease receiving Share Rights and for their remuneration to be paid solely in cash from that point.

The initial period in which this scheme was implemented was 27 October 2017 (the day after the 2017 Annual General Meeting) until 26 October 2018 (**Initial Period**). The scheme has been re-implemented each year since that date.

The number of Share Rights granted to Non-Executive Directors during the previous 12 month periods pursuant to previous shareholder approval is as follows:

Name	Share rights issued 1 Nov 2017 – 30 Oct 2018	Share rights issued 1 Nov 2018 – 30 Oct 2019	Share rights issued 1 Nov 2019 to date	Total
Giles Everist	13,584	6,857	0	20,441
Sarah Adam-Gedge	13,584	7,900	7,113	28,597
Chris Indermaur	0	7,900	6,466	14,366
Jim McDowell*	11,320	0	0	11,320
<b>Total</b>	<b>38,488</b>	<b>22,657</b>	<b>13,579</b>	<b>74,724</b>

\*Jim McDowell ceased as a director in August 2018.

The above prior year issues were approved by shareholders at the 2017, 2018 and 2019 Annual General Meetings and the Company now seeks approval to issue Share Rights for a further period of one year, being the period from 1 November 2020 (the day after the Company’s Annual General Meeting) until the date of the 2021 Annual General Meeting (**2021 Period**).

Offers to participate in the incentive scheme will again be made to the above Non-executive Directors and will be calculated by reference to 25% of their base board fees (excluding committee fees) for the 2021 Period. If a Non-Executive Director chooses to participate, he/she will continue to receive 75% of their total annual base board fees (excluding committee fees) and all of their committee fees in cash.

The Non-Executive Chairman is not currently expected to participate in the scheme due to his already significant shareholding in the Company. Mr Giles Everist has also accumulated and retains a shareholding, the value of which exceeds one year's base board fees and will not be included in this scheme for the 2021 Period, hence no shareholder approval is being sought for their participation in the scheme at this meeting.

Subject to Shareholder approval, the number of Share Rights that may be granted to each Non-Executive Director will be calculated as follows:

$$SR = \frac{TBBF \times 25\%}{VWAP} \quad \text{(Issue Formula)}$$

Where:

'SR' is the aggregate number of Share Rights which the Non-Executive Director is entitled to be granted for the 2021 Period;

'TBBF' is the Non-Executive Director's total annual base board fees (excluding committee fees) for the 2021 Period; and

'VWAP' is the volume weighted average price of Shares traded on the ASX calculated over the last 5 trading days of each month during the 2021 Period.

Any fractional entitlements will be rounded up to the nearest whole number.

The Share rights granted to Non-Executive Directors for the 2021 Period will be accrued in 12 equal (or as near to equal as possible) tranches with one tranche to vest each month, and issued twice a year subject to the relevant Non-Executive Director being continuously engaged as a non-executive director on the applicable vesting date.

Upon a tranche of the Share Rights vesting and being exercised, a Non-Executive Director will be issued, allocated or transferred one Share for each Share Right exercised.

For example purposes only, the information below shows the number of Share Rights that would be issued pursuant to Resolutions 4, 5 and 6. In preparing this information, the Issue Formula has been used and the VWAP for Shares has been assumed to be \$3.20.

The following applies in respect of each Non-Executive Director:

- Total annual base board fees (excluding committee fees) for the 2021 Period: \$100,000
- Fees to be paid in cash for the 2021 Period: \$75,000.
- Fees to be paid in Share Rights for the 2021 Period: \$25,000.
- Number of Share Rights to be granted for the Forthcoming Period: 7,813 - being \$25,000 divided by the assumed VWAP of \$3.20.
- 1/12<sup>th</sup> of Share Rights to vest each month during the Forthcoming Period (assuming continued service as a non-executive director).
- Aggregate Dilutionary Effect of issues to all Non-executive Directors: 0.0065%<sup>1</sup>.

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<sup>1</sup> Based on the number of Shares on issue as at the date of this Notice, being 359,558,055 Shares.

The numbers and amounts set out above are examples only and actual numbers and amounts may vary depending on the VWAP of Shares over the 5 trading days of each month during the 2021 Period.

### **Corporations Act Requirements**

The Directors (other than Ms Adam-Gedge, Mr Indermaur and Mr McCormack, who each have a material personal interest in Resolutions 4, 5 and 6) have considered the application of Chapter 2E of the Corporations Act to the grant of Share rights to the Non-Executive Directors. As the Non-Executive Directors are foregoing the cash payment of fees and those fees are within the Shareholder approved pool of Directors' fees, it has been determined that the financial benefit given by granting these Share rights constitutes reasonable remuneration to the Non-Executive Directors given:

- the circumstances of the Company, and
- the Non-Executive Directors' roles and responsibilities at the Company.

In light of the above, the Company will rely on the exception contained in section 211(1) of the Corporations Act and is not seeking Shareholder approval pursuant to section 208 of the Corporations Act in addition to the approval being sought under the ASX Listing Rules.

### **ASX Listing Rule Requirements**

ASX Listing Rule 10.14 provides, in essence, that the approval of Shareholders by ordinary resolution is required before a Director can acquire securities under an employee incentive scheme.

Accordingly, in order for each Non-Executive Director to participate in this incentive scheme and to receive Share Rights (and hence shares in the Company), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.14.

### **ASX Listing Rule Disclosure Requirements**

ASX Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting Shareholder approval under ASX Listing Rule 10.14.

The following information is provided in relation to Resolutions 4, 5 and 6 for the purposes of ASX Listing Rule 10.15:

- (a) The Share Rights will be granted to Ms Sarah Adam-Gedge, Mr Chris Indermaur and Mr Michael McCormack, who fall into the category of Listing Rule 10.14.1 by virtue of being Non-Executive Directors (subject to the passing of resolution 3 in relation to Mr Michael McCormack).
- (b) The maximum number of Share Rights to be granted to each participant for the 2021 Period will be determined in accordance with the Issue Formula set out above. As such, as at the date of this Notice, the Company cannot determine the exact number of Share Rights to be issued to the Non-Executive Directors.

In any case, the Board has resolved to limit the value of the maximum number of Share Rights that can be granted to the Non-Executive Directors, to be not greater than \$75,000 – total value of Share rights to be issued to Mr Indermaur, Ms Adam-Gedge and Mr McCormack (being 25% of TBBF for each Non-Executive Director).

One (1) Share will be issued, allocated or transferred to the Non-Executive Directors on exercise of a vested Share Right.

- (c) The current total annual remuneration package of:

- a. Ms Sarah Adam-Gedge is \$150,000, comprising \$75,000 in fixed director fees, \$50,000 in Deputy Chair and Subcommittee fees and \$25,000 in Share Rights;
  - b. Mr Chris Indermaur is \$120,000, comprising \$75,000 in fixed director fees, \$20,000 in Subcommittee fees and \$25,000 in Share Rights; and
  - c. Mr Mick McCormack is \$100,000, comprising \$75,000 in fixed director fees and \$25,000 in Share Rights.
- (d) The number of Share Rights that have been previously issued to Ms Adam-Gedge and Mr Chris Indermaur are set out in table above. No consideration was paid by those persons for the acquisition of Share Rights. Mr Mick McCormack has not been issued any Share Rights.
- (e) The Share Rights granted to Non-Executive Directors for the 2021 Period will be accrued in 12 equal (or as near to equal as possible) tranches with one tranche to vest each month, and issued twice a year subject to the relevant Non-Executive Director being continuously engaged as a non-executive director on the applicable vesting date. Upon a tranche of the Share Rights vesting and being exercised, a Non-Executive Director will be issued, allocated or transferred one Share for each Share Right exercised.
- (f) The incentive scheme enables non-executive Directors of the Company to progressively acquire a shareholding in the Company with a value equal to his/her total annual base Board remuneration (excluding committee fees) (**Target Shareholding**). The scheme is an 'employee incentive scheme' for the purposes of the ASX Listing Rules although in order to preserve Director independence, it is not subject to Company performance measures or thresholds. The objective of the scheme remains to strengthen the alignment between the interests of the non-executive Directors and Shareholders. Importantly, until a Non-Executive Director holds a number of Shares equal to their Target Shareholding, they may not sell any Shares resulting from the exercise of the Share Rights received (except in circumstances of a change of control).
- (g) The value of the Share Rights is determined by the 'VWAP', being the volume weighted average price of Shares traded on the ASX calculated over the last 5 trading days of each month during the 2021 Period.
- (h) The Company intends to invite the Non-Executive Directors to apply for Share Rights within 1 month from the date of the Meeting (and, in any case, no later than 12 months after the date of the Meeting) and the Share Rights will be issued no later than 12 months after the date of the Meeting.
- (i) No consideration is payable for the grant of Share Rights, or (unless the Board otherwise determines at the time it makes an offer of Share Rights) for the issue, allocation or transfer of Shares upon exercise of a vested Share Right. The Share Rights granted form part of the Company's remuneration and incentive package for non-executive Directors. Accordingly, no funds will be raised from the issue or vesting of Share Rights.
- (j) Share Rights are granted under the terms of the Rights Plan. The Share Rights vest at grant and are not subject to any performance conditions. Austal uses Share Rights because they create share price alignment between Non-Executive Directors and ordinary Shareholders, but accord the Non-Executive Directors flexibility by allowing them to convert the Share Rights into Shares at their discretion. A summary of the material terms of the Share Rights Plan is attached as Attachment 1.
- (k) There is no loan applicable in relation to the acquisition of Share Rights or the Shares underlying them because the Non-Executive Directors are not required to make any payment for the Share Rights or the Shares underlying them.

- (l) Details of any securities issued under the Share Rights incentive scheme will be published in the annual report of the Company relating to a period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- (m) The voting exclusion statement in relation to Resolutions 4, 5 and 6 accompanies Resolutions 4, 5 and 6 in the Notice of Meeting.

Shareholders should be aware that as the Share Rights defer a portion of Ms Sarah Adam-Gedge, Mr Chris Indermaur and Mr Michael McCormack's incentive remuneration for FY20, which has already been earned and otherwise would have been paid to the respective Non-Executive Director in cash, if Resolutions 4, 5 and 6 are not passed for any reason, the Company intends to pay the respective Non-Executive Director the value of the Share Rights in full as ordinary income.

### **Recommendation**

*The Directors (with Ms Adam-Gedge, Mr Indermaur and Mr McCormack abstaining) recommend that Shareholders vote in favour Resolutions 4, 5 and 6.*

*The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 4, 5 and 6.*

### **6. Resolution 7 - Approval of the issue of STI Rights to Mr David Singleton**

Resolution 7 seeks Shareholder approval for the grant of **127,446** STI Rights to Mr David Singleton (and any subsequent issue of Shares pursuant to the exercise of those STI Rights).

The STI Rights represent the 50% of Mr Singleton's FY2020 Short Term Incentive Payment that is deferred into equity. The STI Rights will be granted under the Austal Limited Rights Plan which was approved by shareholders at the Company's 2019 AGM.

Shares issued pursuant to vested FY2020 STI Rights are typically subject to a holding lock until 1 July 2022, however as Mr Singleton has given notice of his intention to resign from the Company effective 31 December 2020, on that date half of the shares issued to him will be released from that holding lock in order to allow a sale to meet income tax liabilities.

The Company had previously understood that shareholder approval for the issue of the STI Rights the subject of Resolution 7 was obtained at the 2019 Annual General Meeting. However, that was not in fact the case as a resolution seeking Shareholder approval for the grant of those STI Rights for the purpose of Listing Rule 10.14 (and for all other purposes) at the Company's 2019 Annual General Meeting was inadvertently omitted. Accordingly, when the company purported to issue Mr Singleton 127,446 STI Rights on 2 September 2020, those STI Rights were issued in error. Upon this error being identified, the Company agreed with Mr Singleton that the STI Rights issued are cancelled for nil consideration and any Shares provided to Mr Singleton in connection with the STI Rights which were erroneously issued would be returned to the trustee of Plan for allocation in the future. Resolution 7 is to seek Shareholder approval for the grant of 127,446 STI Rights to replace those STI Rights that were erroneously issued and which have been cancelled.

Shareholders should be aware, that as the STI Rights defer a portion of Mr Singleton's incentive remuneration for FY20, which has already been earned and otherwise would have been paid to Mr Singleton in cash, if Resolution 7 is not passed for any reason, the Company intends to pay Mr Singleton the value of the STI Rights in full as ordinary income.



## **Listing Rule Requirements**

Listing Rule 10.14 provides, in essence, that the approval of shareholders by ordinary resolution is required before a Director can acquire securities (including STI Rights) under an employee incentive scheme.

Accordingly, in order for Mr Singleton to participate in the Plan and receive STI Rights under the Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

## **Listing Rule Disclosure Requirements**

Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolution 7:

- (a) The name of the person referred to in Listing Rule 10.14 who is entitled (pursuant to Resolution 7) to participate in the Plan and receive STI Rights is Mr David Singleton. Mr Singleton falls into the category of Listing Rule 10.14.1 by virtue of being the Executive Director of the Company.
- (b) The maximum number of STI Rights (and hence Shares) granted under the grant for the 2020 financial year to Mr Singleton is 127,446. The STI Rights represent 50% of Mr Singleton's FY20 Short Term Incentive Payment that is deferred into equity. The number of STI Rights has been determined by dividing the face value of Mr Singleton's STI payment (\$413,016) by the 5-day VWAP of Austal shares calculated between 24 June 2020 and 30 June 2020.
- (c) The current total maximum remuneration package of Mr David Singleton is \$1,093,833 plus a potential STI payment of up to \$546,917 depending on achievement of a number of objectives that the Board has set for the remainder of the 2020 calendar year. These objectives are described in the Company's Annual Report.
- (d) The number of STI securities that have previously been issued to Mr David Singleton under the Austal Limited Rights Plan is 106,251 STI Rights (which number obviously excludes the 127,446 STI Rights which were erroneously issued on 2 September 2020 which have been cancelled, as described above). No consideration was paid by Mr Singleton for the acquisition of STI Rights.
- (e) Each STI Right granted will result in the issue of the value of an ordinary Share, which may be settled in the form of cash or a Restricted Share (being a Share that is subject to a holding lock prohibiting transfer of that Share for a period of 3 years after issue), at the sole discretion of the Board. The holding lock may be lifted in respect of some Shares issued to Mr Singleton in accordance with the Plan Rules, in light of his employment at Austal ceasing on 31 December 2020.
- (f) No consideration is payable for the grant of STI Rights under the Plan, or (unless the Board otherwise determines at the time it makes an offer of STI Rights) for the issue or transfer of Shares upon vesting of STI Rights granted under the Austal Limited Rights Plan.
- (g) STI Rights are granted under the terms of the Company's Rights Plan. The grant of STI Rights are subject to performance against specific measures that apply over the financial year preceding the grant date. Austal uses STI Rights because they create share price alignment between Mr Singleton and ordinary Shareholders, but accord Mr Singleton flexibility by allowing him to convert the STI Rights into Shares at his discretion. A summary of the material terms of the grant of STI Rights is attached as Attachment 2.
- (h) No loans have or will be made by the Company in connection with the acquisition of STI Rights.

- (i) The STI Rights are expected to be granted to Mr Singleton in November 2020 (but in any event no later than 12 months after the date of the Meeting).
- (j) Details of the STI Rights granted under the Austal Limited Rights Plan will be published in each annual report of the Company relating to the period in which the STI Rights have been granted (with a statement that approval for the grant of STI Rights to Mr Singleton was obtained under Listing Rule 10.14).
- (k) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of STI Rights under the Austal Limited Rights Plan after Resolution 7 is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.

## Glossary

In the Notice of Meeting and this Explanatory Memorandum (including the Attachments), the following terms have the meaning set out below:

<b>Term</b>	<b>Meaning</b>
<b>\$</b>	Australian dollars.
<b>ASX Listing Rules</b>	the Listing Rules of the ASX.
<b>ASIC</b>	Australian Securities & Investments Commission
<b>ASX</b>	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by it, as the context requires.
<b>Board</b>	the board of directors of the Company.
<b>Closely Related Party</b>	has the meaning as defined in section 9 of the Corporations Act and includes in respect of a member of the Key Management Personnel: <ul style="list-style-type: none"> <li>• a spouse or child of the member or a child of the member's spouse;</li> <li>• a dependant of the member or of the member's spouse;</li> <li>• anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or</li> <li>• a company the member controls.</li> </ul>
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	the Corporations Act 2001 (Cth).
<b>Director</b>	a director of the Company.

<b>Term</b>	<b>Meaning</b>
<b>Explanatory Memorandum</b>	this Explanatory Memorandum accompanying the Notice of Meeting.
<b>Meeting</b>	the annual general meeting of the Company convened by the Notice of Meeting.
<b>Non-Executive Director or NED</b>	a Director of the Company who is not a member of the executive management team.
<b>Notice of Meeting or Notice</b>	the notice convening the Meeting that accompanies this Explanatory Memorandum.
<b>Proxy Form</b>	the proxy form included with the Notice of Meeting.
<b>Shares or Ordinary Shares</b>	fully paid ordinary shares in the Company.
<b>Shareholder</b>	the holder of Shares.
<b>Share Right</b>	a conditional, indeterminate right to the value of a Share which, upon the satisfaction or waiver of the relevant vesting conditions and, if required by the Company, the exercise of that Share Right, entitles its holder to receive either a Share or the value of a Share, at the Board's discretion.
<b>WST</b>	Western Standard Time, being the time in Perth, Western Australia.

## Attachment 1 – Summary of the key terms of grants of Share Rights to the Non-Executive Directors

The following is a summary of the key terms and conditions of the proposed grants of Share Rights to the Non-Executive Directors:

- (a) **(Eligibility)** The Board may from time to time invite eligible non-executive directors of the Company (or its subsidiaries) to receive Share Rights (**Eligible Participants**).
- (b) **(Share Rights)** The Company may issue Share Rights to one or more Eligible Participants. A Share Right is a conditional right which, upon the satisfaction or waiver of the relevant vesting conditions and, if required by the Company, the exercise of that share right, entitles its holder to receive an ordinary share in the Company.
- (c) **(Offers)** Unless otherwise set out in the explanatory information provided to Shareholders, the terms of the offers to the Eligible Participants, including the number of Share Rights, the number of Shares the Eligible Participants may receive on vesting and exercise of the Share Rights, the relevant vesting conditions, and any exercise conditions or any other terms applicable to a particular grant of Share Rights (for example the exercise period) will be set out in an invitation to an Eligible Participant.
- (d) **(Fulfilment of vested Share Rights)** The Company will fulfil vested Share Rights by issuing, allocating or causing to be transferred to the Eligible Participant the number of ordinary shares in the Company to which they are entitled.
- (e) **(Forfeiture of Share Rights)** Unless otherwise determined by the Board in its absolute discretion, Share Rights will be forfeited where:
  - i. the relevant vesting conditions are not satisfied or cannot be satisfied by the relevant date; or
  - ii. a participant has acted fraudulently, dishonestly or wilfully breached their duties to the Company (or its subsidiaries).
- (f) **(Disposal restrictions)** A Share Right cannot be transferred, disposed of or dealt with by a holder, without the prior approval of the Board or the relevant dealing is effected by force of law on death or legal incapacity of the holder.

In addition, holders must not transfer, dispose of or deal with Shares resulting from the exercise of a vested Share Right until such time as they have acquired and maintained that number of Shares equal to that holder's total base board fees (excluding committee fees) on the date of grant of the relevant Share Rights. This disposal restriction is subject to the change of control provisions below.

For the avoidance of doubt, the holder must comply with the Company's securities trading policy at all times.

- (g) **(Dividend and voting rights)** Dividends paid while a participant holds Share Rights will accrue in favour of the participant. A Share Right does not confer upon the holder an entitlement to vote.
- (h) **(New Issues)** Unless otherwise determined by the Board, there are no participation rights or entitlements inherent in the Share Rights and Eligible Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Share Rights without exercising the Share Right.

- (i) **(Reconstruction of Capital)** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of an Eligible Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules (if applicable) at the time of the reorganisation.
- (j) **(Change of control)** If a change of control event occurs, which includes a takeover of the Company, the Board may in its absolute discretion determine (having regard to, amongst other factors, the period of time that has elapsed between the date of grant of the relevant Share Rights and the date of the change of control event, and the circumstances of the change of control event) the manner in which all or a specified number of outstanding Share Rights will be dealt with (including without limitation in a manner that allows the holder to benefit from the change of control event on any terms the Board deems fit including determining that some or all of a holder's unvested Share Rights are deemed to have vested).
- (k) **(Trust)** The Board may elect to use, on such terms and conditions as determined by the Board, an employee share trust for the purpose of holding shares before or after the vesting of Share Rights or delivering any Shares to the holder upon the vesting of a Share Right.

For the avoidance of doubt, the Board may do all things necessary for the establishment, administration, operation and funding of an employee share trust.

- (l) **(Amendment)** The Board has the ability to amend the terms and conditions of the Share Rights at any time, including with retrospective effect, except if the amendment materially adversely affects the rights of a participant as they existed before the date of the amendment, other than:
  - i. an amendment which is primarily necessitated to ensure compliance with the Company's constitution or laws;
  - ii. to correct manifest errors;
  - iii. to take into consideration possible adverse taxation implications in respect of the Share Rights grants; or
  - iv. to allow the implementation of an employee share trust.

To implement an amendment that materially adversely affects the rights of a participant as they existed before the date of the amendment, at least 75% of the participants affected by that amendment must first agree to that amendment in writing.

If the ASX or the ASX Listing Rules require that shareholder approval be obtained to amend the terms and conditions of Share Rights, shareholder approval will be sought at the relevant time.

## Attachment 2 – Summary of key terms of the Austal Limited Rights Plan applicable to STI Rights

The following is a summary of the key terms and conditions of the proposed grants of STI Rights to Eligible Persons as defined in the Rules

- (a) **(Right)**: Means an entitlement to the value of a which may be settled in the form of cash, or a Share (including a Restricted Share), as determined by the Board in its discretion.
- (b) **(STI Right)**: Means a Right issued under Austal's Short Term Incentive arrangements.
- (c) **(Number of Rights)**: As determined by the Board. For the current period the number of STI Rights equals 50% of the value of a Participant's Short Term Incentive entitlement.
- (d) **(Share and Share Price)**: A Share is a fully paid ordinary share in the Company, and the Share Price is determined by the volume weighted average share price at which the Company's shares were traded on the ASX over the 5 trading days prior to the date for which the calculation is made, or such other period as is prescribed by the relevant rules.
- (e) **(Term)**: Each Right has a Term of 15 years and if not exercised within that Term the Rights will lapse
- (f) **(Eligible Person)**: Means a full time or part-time employee (including an executive Director but excluding a non-executive Director) of a Group Company or a person who will prospectively fill one of the foregoing roles.
- (g) **(Application)**: The document that must be submitted to apply for Rights under the Plan, which is annexed to the invitation sent by the Board to an Eligible Person.
- (h) **(Participant)**: Eligible Persons whose Applications have been accepted and have been granted Rights will be referred to as Participants in the Plan. They will remain Participants until all Rights they have been granted have either lapsed or been exercised and both any risk of forfeiture and disposal restrictions applicable to the Shares acquired by exercising the Rights have ceased to apply.
- (i) **(Vesting of STI Rights)**: STI Rights are vested at grant. No vesting conditions or Measurement Period applies thereafter, although the grant is subject to performance against measures applied over the financial year prior to the grant date. The vesting date will be notified to the Participant simultaneously with the grant date, in a Grant Notice incorporating the Vesting Notice.
- (j) **(Lapsing of Rights)**: Rights will lapse automatically on the earlier of: For unvested Rights when there is no opportunity for them to vest at a later date, or the end of the Term of the Right.
- (k) **(Exercise and Exercise Price)**: The Exercise Price is nil i.e. no amount needs to be paid by the Participant in order to exercise the Right. Vested Rights may be exercised at any time between the Vesting Date and the elapsing of the Term. On exercise of vested Rights, the Board will determine the Exercised Rights Value and the extent to which that value is to be provided in the form of cash, and/or Shares. In most cases, this will be in the form of Shares. Shares may be provided directly to the Participant or via an employee share trust (EST), and may involve on-market purchases or new issues of Shares. Any portion of the value of the vested Rights that is to be delivered in the form of cash will be paid through payroll with PAYG tax being deducted (as well as any other deductions that may be applicable or required by law).

- (l) **(Dealing/ Disposal Restrictions Applicable to Rights and Shares):** Rights may not be transferred, disposed of, charged, encumbered or otherwise dealt with at any time, except by force of law. All Shares acquired by Participants or held by the trustee of the EST for the benefit of Participants as a consequence of the exercise of Rights shall be subject to a disposal restriction being that such Shares may not be sold or disposed of in any way until their sale would not breach either:
- i. the Company's share trading policy, or
  - ii. Division 3 of Part 7.10 of the Corporations Act (insider trading provisions)
- following expiry of the Specified Disposal Restriction, if any, applicable to the Shares.
- (m) **(Specified Disposal Restriction)** A Specified Disposal Restriction is applicable to the Invitation which commences on the date STI Rights are provided to the Participant following exercise, if any, and expires on 30 June 2023. Specified Disposal Restrictions may be released early in limited circumstances in accordance with the Rules.
- (n) **(No Hedging):** Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares.
- (o) **(Board Discretion to prevent inappropriate benefits):** If the Board in its sole, reasonable discretion forms the view that circumstances have arisen that would make vesting of unvested Rights held by a Participant inappropriate, the Board may determine that some or all Rights held by a Participant lapse on a specified date. Such circumstances include but are not limited to:
- i. if a Participant engages in any activities or communications that, in the opinion of the Board, may cause harm to the operations or reputation of the Company or the Board,
  - ii. if the Board determines that a Participant or Participants took actions that caused harm or will (and would have been expected to, at the time of taking the action) cause harm to the Company's stakeholders,
  - iii. if the Board forms the view that a Participant or Participants have taken excessive risks or have contributed to or may otherwise benefit from unacceptable cultures within the Company,
  - iv. if the Board forms the view that Participants have deliberately or knowingly exposed employees, the broader community or environment to excessive risks above those which could ordinarily be expected, including risks to health and safety,
  - v. if a Participant fails to adhere to post-termination agreements,
  - vi. if there has been a material misstatement in the Company's financial reports, which once resolved, indicates that a larger number of Rights previously vested than should have, in light of the corrected information.
- (p) **(Bonus Issues, Rights Issues):** In cases of bonus share issues by the Company the number of Rights held by a Participant shall be increased by the same number as the number of bonus shares that would have been received by the Participants had the Rights been fully paid ordinary shares in the Company, except in the case that the bonus share issue is in lieu of a dividend payment, in which case no adjustment will apply.

In the case of general rights issues to Shareholders there will be no adjustment to the Rights, although holders of Rights that have been exercised into Shares will be entitled to participate in those general issues on the same terms as all other Shareholders. However, the Board may consider issuing options to Participants:

- i. of a number up to the number of Shares to which the Participant would have been entitled had the Rights been Shares, and
- ii. the exercise price of such options will be equal to the amount payable by Shareholders to exercise a right to acquire a Share.

In the case of an issue of rights to other than to Shareholders there will be no adjustment to the Rights.

- (q) **(Capital Reorganisation)**: In the case of other capital reconstructions the Board may make such adjustments to the Rights as it considers appropriate with a view to ensuring that holders of Rights are neither advantaged nor disadvantaged.
- (r) **(Termination of Employment)**: If a Participant ceases to be an employee of a Group Company and is not immediately re-employed by another Group Company then 50% of any Restricted Shares held by the Participant will cease to be subject to any Specified Disposal Restrictions, unless otherwise determined by the Board and/or specified in the relevant Invitation.
- (s) **(Change of Control or Delisting)**: in the event of a Change of Control including a takeover, or in the event the Board determines that the Company will be imminently de-listed for reasons other than a Change of Control, Specified Disposal Restrictions will be lifted.
- (t) **(Amendment of Plan)**: The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rules. No amendment to or repeal of the Rules is to reduce the existing rights of any Participant in respect of any accepted Application that had commenced prior to the date of the amendment or repeal, other than with the consent of the Participant or where the amendment is introduced primarily:
- i. for the purpose of complying with or conforming to a present or future State, Territory or Commonwealth legal requirement governing, regulating or effecting the maintenance or operation of the Plan or like plans;
  - ii. to correct an error or mistake;
  - iii. to address possible adverse tax implications for Participants generally or the Company arising from:
  - iv. a ruling of any relevant taxation authority;
  - v. a change to tax legislation or the application or termination of the legislation or any other statute or law (including an official announcement by any relevant taxation or government authority);
  - vi. a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority; or
  - vii. to enable the Company to comply with the Corporations Act or the Listing Rules.