

# Notice of Annual General Meeting

**Metcash Limited**  
ABN 32 112 073 480

*Notice is given that the 2021 annual general meeting of Metcash Limited (Company) will be held on Wednesday, 1 September 2021 at 2.30pm (AEST).*

## Agenda Items

### 1 Financial report

To receive and consider the financial report of the Company and the reports of the directors and auditor for the year ended 30 April 2021.

### 2 Resolutions to elect and re-elect directors

Shareholders are asked to consider, and if thought fit, to pass each of the following resolutions as separate ordinary resolutions:

**(a) To elect Ms Christine Holman as a director**

*“That Ms Christine Holman, who retires in accordance with the Company’s Constitution, be elected as a director of the Company.”*

**(b) To elect Ms Margaret Haseltine as a director**

*“That Ms Margaret Haseltine, who retires in accordance with the Company’s constitution, be elected as a director of the Company.”*

**(c) To re-elect Mr Murray Jordan as a director**

*“That Mr Murray Jordan, who retires in accordance with the Company’s constitution, be re-elected as a director of the Company.”*

### 3 Resolution to adopt the remuneration report

Shareholders are asked to consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“That the remuneration report that forms part of the directors’ report of the Company for the financial year ended 30 April 2021 be adopted.”*

The remuneration report is set out on pages 56 to 71 of the 2021 annual report. Please note that the vote on this resolution is advisory only, and does not bind the directors or the Company.

#### Voting exclusion statement

In accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**), the Company will disregard any votes cast on the resolution proposed in item 3:

1. by or on behalf of a person who is a member of the Company’s key management personnel named in the remuneration report for the year ended 30 April 2021 or their closely related parties (regardless of the capacity in which the vote is cast); or
2. as proxy by a person who is a member of the Company’s key management personnel on the date of the annual general meeting or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on the resolution proposed in item 3:

1. in accordance with a direction on the proxy form; or
2. by the Chair of the meeting in accordance with an express authorisation in the proxy form to exercise the proxy even though the resolution in item 3 is connected with the remuneration of the Company's key management personnel.

#### **4 Resolutions to approve grants of performance rights to Mr Jeffery Adams, Group CEO**

Shareholders are asked to consider, and if thought fit, to pass each of the following resolutions as separate ordinary resolutions:

**(a) To approve the grant of FY21 performance rights to Mr Jeffery Adams**

*"That approval is given for all purposes, including ASX Listing Rule 10.14, for the grant of FY21 performance rights to Mr Jeffery Adams on the terms described in the Explanatory Memorandum accompanying this notice of meeting."*

**(b) To approve the grant of FY22 performance rights to Mr Jeffery Adams**

*"That approval is given for all purposes, including ASX Listing Rule 10.14, for the grant of FY22 performance rights to Mr Jeffery Adams on the terms described in the Explanatory Memorandum accompanying this notice of meeting."*

#### **Voting exclusion statement**

In accordance with the Corporations Act and the ASX Listing Rules, the Company will disregard any votes on the resolutions proposed in items 4(a) and 4(b):

1. cast in favour of the resolution by or on behalf of Mr Adams or his associates, regardless of the capacity in which the vote is cast; or
2. cast as proxy by a person who is a member of the Company's key management personnel on the date of the annual general meeting or their closely related parties,

unless the vote is cast on the resolutions proposed in items 4(a) or 4(b):

3. as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way; or
4. by the Chair of the meeting as proxy for a person entitled to vote on the resolution in accordance with an express authorisation in the proxy form to exercise the proxy as the Chair decides; or
5. by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - a) 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
  - b) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 5 Resolution to increase the non-executive director aggregate fee pool

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

*"That approval be given for all purposes, including rule 7.3(a) of the Company's Constitution and ASX Listing Rule 10.17, for the aggregate amount of remuneration that may be paid in any financial year to the Company's non-executive directors to be increased by \$400,000 to \$2,000,000."*

### Voting exclusion statement

In accordance with the Corporations Act and the ASX Listing Rules, the Company will disregard any votes on the resolution proposed in item 5:

1. cast in favour of the resolution by or on behalf of a director of the Company or their associates, regardless of the capacity in which the vote is cast; or
2. cast as proxy by a person who is a member of the Company's key management personnel on the date of the annual general meeting or their closely related parties,

unless the vote is cast on item 5:

3. as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way; or
4. by the Chair of the meeting as proxy for a person entitled to vote on the resolution in accordance with an express authorisation in the proxy form to exercise the proxy as the Chair decides; or
5. by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - a) 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
  - b) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### What the voting exclusions on the resolutions in items 3, 4 and 5 mean for shareholders

If you intend to appoint a member of the Company's key management personnel (such as one of the directors) as your proxy, please ensure that you direct them how to vote on the resolutions proposed in items 3, 4 and 5.

If you appoint the Chair of the meeting as your proxy (or the Chair becomes your proxy by default) and you do not mark a voting box for the resolutions proposed in items 3, 4 and 5, then by completing and submitting the proxy form you will be expressly authorising the Chair of the meeting to exercise the proxy in respect of the relevant resolution, even though the resolution is connected with the remuneration of the Company's key management personnel.

## Background Information and Explanatory Memorandum

Shareholders are referred to the Background Information and Explanatory Memorandum accompanying and forming part of this notice of meeting.

**By Order of the Board**

A handwritten signature in black ink, which appears to read "Julie Hutton". The signature is written in a cursive style and is positioned to the left of the printed name.

Julie Hutton  
Company Secretary

30 July 2021

# Background Information

## Entitlement to vote and required majority

### Snapshot time

The Company has determined, under Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that for the purposes of the annual general meeting, persons who are the registered holders of shares in the Company as at **7.00pm (AEST) on Monday, 30 August 2021** will be entitled to participate and vote at the annual general meeting as a shareholder. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to participate and vote at the meeting.

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

### Required majority

The resolutions proposed in item 2 (*Resolutions to elect and re-elect directors*), item 3 (*Resolution to adopt the remuneration report*), item 4 (*Resolutions to approve grants of performance rights to Mr Jeffery Adams, Group CEO*) and item 5 (*Resolution to increase the non-executive director aggregate fee pool*) are ordinary resolutions and each will be passed if more than 50% of the votes cast by shareholders entitled to vote on the resolution are cast in favour of the resolution.

The vote on each resolution set out in the notice of meeting will be decided on a poll.

Each shareholder voting online or by proxy, attorney or representative has one vote for each fully paid ordinary share held (subject to the exclusions on voting referred to below).

## Participating in the AGM and voting online

Shareholders can watch and participate in the meeting online (on both desktop and mobile devices) via <http://web.lumiagm.com/371854291>.

To participate and vote online you will need your Voter Access Code and postcode (or country code for overseas shareholders, which can be found in the Online User Guide). The Voter Access Code is printed on your personalised proxy form or in the e-mail inviting you to participate in the meeting. Proxy holders will need to contact Boardroom on 1800 655 325 or +61 2 9290 9696 to obtain their login details no later than 24 hours prior to the meeting and following lodgement of the proxy appointment. Online participants should register at least 15 minutes before the meeting.

Further information about how to participate online and the terms and conditions of online participation can be found in the online guide which will be available on Metcash's website at <https://www.metcash.com/investor-centre/2021-agm/>.

## Technical difficulties

Technical difficulties may arise during the course of the meeting. The Chair has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chair will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where he considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy by **2.30pm (AEST) on Monday, 30 August 2021** even if they plan to participate online.

## Proxies, attorneys and corporate representatives

A shareholder entitled to participate and vote can do so either by:

- participating and voting online, by appointing an attorney to participate and vote online during the meeting for the shareholder, or if the shareholder is a corporate shareholder, appointing a representative to participate and vote online during the meeting on the shareholder's behalf; or
- appointing not more than 2 proxies in advance to participate and vote online for the shareholder.

### Voting by proxy

If a shareholder cannot participate in the meeting but is entitled to participate and vote, the shareholder can appoint the Chair or another person as proxy to participate and vote for the shareholder. A proxy may but need not be a shareholder of the Company and can be either an individual or a body corporate. The proxy can be appointed in respect of some or all of the votes held by the shareholder. A shareholder that is entitled to cast 2 or more votes may appoint up to 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes. If a shareholder appoints two proxies, neither is entitled to vote as proxy on a show of hands at the meeting if more than one proxy is present (however, as noted above, the vote on each resolution set out in the notice of meeting will be decided on a poll).

If a shareholder appoints a body corporate as proxy, that body corporate will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the meeting.

If a shareholder wishes to appoint a proxy, they must complete the accompanying proxy form. Completed proxy forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be received by the Company's corporate registry, Boardroom Pty Limited, at least 48 hours before the meeting for the proxy to be effective (that is, no later than **2.30pm (AEST) on Monday, 30 August 2021**), at the following address, facsimile number or website address:

Address:	By mail:	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 AUSTRALIA	In person:	Level 12 225 George Street Sydney NSW 2000 AUSTRALIA
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Facsimile: +61 2 9290 9655

Online: [www.votingonline.com.au/metcashagm2021](http://www.votingonline.com.au/metcashagm2021)

### Voting by attorney

Where a shareholder appoints an attorney to act on their behalf at the meeting, the instrument appointing the attorney (together with any authority under which the instrument was signed or a certified copy of the authority) must be received by **2.30pm (AEST) on Monday, 30 August 2021** by the Company's corporate registry, Boardroom Pty Limited, as set out above for proxy forms.

### Voting by corporate representative

Any corporate shareholder or proxy may appoint a person to act as its representative at the meeting. The representative must ensure the Company has received a formal notice of appointment signed as required by section 127 of the Corporations Act or the constitution of the corporation in advance of the meeting. A form of notice of appointment can be obtained from Boardroom Pty Limited or downloaded from <http://boardroomlimited.com.au/investor-forms/>

## **Voting exclusions**

Certain voting restrictions apply to items 3 (*Resolution to adopt the remuneration report*), 4 (*Resolutions to approve grants of performance rights to Mr Jeffery Adams, Group CEO*) and 5 (*Resolution to increase non-executive director aggregate fee pool*). If you wish to appoint a member of the Company's key management personnel (which includes each of the directors and the Chair) as your proxy, please read the voting exclusions in items 3, 4 and 5 in this notice of meeting and the proxy form carefully. Shareholders are encouraged to direct their proxies how to vote.

## **How the Chair will vote available proxies**

The Chair of the meeting intends to vote all available proxies **in favour** of the resolutions set out in this notice of meeting.

## **Default to the Chair**

Any directed proxies that are not voted on a poll at the meeting will automatically default to the Chair of the meeting, who is required to vote proxies as directed.

## **Asking questions in advance of the meeting**

A shareholder entitled to participate and be heard at the annual general meeting may submit a written question to the Company before the meeting. Any questions should be emailed to [metcash@boardroomlimited.com.au](mailto:metcash@boardroomlimited.com.au) by no later than **5pm (AEST) on Wednesday, 25 August 2021**. The Chair will endeavour to address as many of the more frequently raised relevant questions as possible. However, there may not be sufficient time available at the meeting to address all of the questions raised. Please note that individual responses will not be sent to any shareholder.

# Explanatory Memorandum to Shareholders

**Metcash Limited**

**ABN 32 112 073 480**

This Explanatory Memorandum has been prepared to assist shareholders to understand the business to be put to shareholders at the annual general meeting. It is an important document. Please read it carefully.

## Agenda Items

### 1 Financial report

The Corporations Act requires:

1. the reports of the directors and auditor; and
2. the annual financial report, including the financial statements of the Company,

for the year ended 30 April 2021 to be laid before the annual general meeting. Neither the Corporations Act nor the Company's constitution requires a vote of shareholders on the reports or statements (other than the non-binding vote in respect of the remuneration report forming part of the directors' report – see the resolution in item 3). However, shareholders will be given an opportunity to raise questions or comments on the reports and statements at the meeting. A copy of the annual report of the Company for the year ended 30 April 2021 is available on Metcash's website at <https://www.metcash.com/investor-centre/annual-reports/>.

Also, a reasonable opportunity will be given to shareholders as a whole at the meeting to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. In addition, shareholders can submit written questions to the auditor about the conduct of the audit of the Company's financial report for the year ended 30 April 2021 and the content of the auditor's report. Written questions must be received by **5pm (AEST) on Wednesday, 25 August 2021** by the Company's corporate registry, Boardroom Pty Limited (at the address or facsimile number for lodgement of proxies or via email at [metcash@boardroomlimited.com.au](mailto:metcash@boardroomlimited.com.au)). The auditor is not obliged to provide written answers.

### 2 Resolutions to elect and re-elect directors

Under rule 7.1(c) of the Company's constitution, a director who is appointed by the Board as an addition to the existing directors or to fill a casual vacancy (who is not a managing director) holds office until the conclusion of the next annual general meeting following his or her appointment.

Under rule 7.1(d) of the Company's constitution, no director who is not the managing director may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected.

Accordingly:

1. Ms Christine Holman, who was appointed as a director of the Company on 14 September 2020, retires under rule 7.1(c) of the Company's constitution, and being eligible, offers herself for election as a director of the Company;
2. Ms Margaret Haseltine, who was appointed as a director of the Company on 3 May 2021, retires under rule 7.1(c) of the Company's constitution, and being eligible, offers herself for election as a director of the Company; and



3. Mr Murray Jordan retires in accordance with rule 7.1(d) of the Company's constitution and, being eligible, offers himself for re-election as a director of the Company.

Before appointing a new director, the Board undertakes comprehensive checks into a candidate's background and experience.

Each year, the Nomination Committee reviews the skills and experience represented on the Board and considers whether there are any areas that should be addressed through Board renewal and succession. In addition, the Board conducts an annual review of the performance and effectiveness of the Board, its Committees and the individual directors, alternating each year between an internal self-assessment and an external review conducted by a board performance and effectiveness consultant. As part of these processes, the Board has reviewed the performance of each of the directors standing for election and re-election and considered the contribution made to the Board and its Committees by, and the skills and expertise of, those directors. For these reasons, and those outlined in each of the director's profiles below, the Board recommends the election and re-election of the following directors.

### **Profiles of directors standing for election and re-election**

#### **Ms Christine Holman, Independent Non-executive Director (MBA, PG Dip Mgt, GAICD)**

Ms Holman was appointed to the Board on 14 September 2020 and is a member of the Audit, Risk and Compliance Committee and the Nomination Committee.

Ms Holman has more than 25 years of commercial experience across a broad range of areas including mergers and acquisitions, finance, sales, technology, digital transformations and marketing. She has held Chief Financial Officer roles with Telstra Broadcast Services and Globecast Australia, as well as having extensive experience in private equity.

Ms Holman is a non-executive director of Collins Foods Limited (since December 2019), Blackmores Limited (since March 2019) and CSR Limited (since October 2016). She is also a director of The McGrath Foundation (since July 2020), T20 Cricket World Cup (since January 2018), Moorebank Intermodal Company (since August 2019), The State Library of New South Wales Foundation (since February 2017) and The Bradman Foundation (since December 2016). Ms Holman is a former non-executive director of Wisetech Global Limited (December 2018 to October 2019) and HT&E Limited (November 2015 to December 2018).

The Board considers Ms Holman to be an independent director.

#### **Ms Margaret Haseltine, Independent Non-executive Director (BA, FAICD)**

Ms Haseltine was appointed to the Board on 3 May 2021 and is a member of the People and Culture Committee and the Nomination Committee.

Ms Haseltine has more than 30 years of experience across supply chains and logistics, customer interface in the FMCG sector, change management and governance. Her executive career includes 20 years at Mars Inc. including five years as Chief Executive Officer of Food in Australia.

Ms Haseltine is a non-executive director and Chair of Bapcor Limited (director since May 2016, chair since February 2021) and a non-executive director of the Newcastle Permanent Building Society (since February 2018). She is also a non-executive director of Central Coast Industry Connect (since 2019), Droppoint Australia Pty Ltd (since August 2019) and the Newcastle Permanent Charitable Foundation (since November 2020). She is also a Fellow of the Australian Institute of Company Directors.

The Board considers Ms Haseltine to be an independent director.

### **Mr Murray Jordan, Independent Non-executive Director (MPA, MAICD)**

Mr Jordan was appointed to the Board on 23 February 2016 and is a member of the Audit, Risk and Compliance Committee, the People and Culture Committee and the Nomination Committee.

Mr Jordan has extensive experience in the independent retail sector, bringing unique insight and perspective to the Board regarding the challenges faced by independent retailers and the valuable role they play in the community. Mr Jordan was previously Managing Director of New Zealand business Foodstuffs North Island Limited, a co-operative wholesale company, supplying independently owned and operated businesses in the supermarkets, foodservice and liquor sectors. He has also held key management positions in property development and investment.

Mr Jordan is a non-executive director of Metlifecare Limited (since November 2020), Sky City Entertainment Group Limited (since December 2016), Stevenson Group Limited (since July 2016) and Chorus Limited (since September 2015), which are each New Zealand companies. He is also a trustee of the Starship Foundation in New Zealand that raises funds for the National Children's Hospital (since November 2015), a trustee of the Foodstuffs Member Protection and Co-operative Perpetuation Trusts (since January 2019), a trustee of the Southern Cross Health Trust (since August 2019) and a director of the Southern Cross Medical Care Society (since January 2020).

The Board considers Mr Jordan to be an independent director.

### **Recommendations**

*The Board (other than each candidate standing for election or re-election in respect of their own election or re-election) unanimously recommends that shareholders vote in favour of the resolutions to elect Ms Christine Holman and Ms Margaret Haseltine and re-elect Mr Murray Jordan as a director.*

## **3 Resolution to adopt the remuneration report**

Shareholders are asked to adopt the Company's remuneration report. The remuneration report is set out on pages 56 to 71 of the 2021 annual report and is also available on the Company's website [www.metcash.com](http://www.metcash.com). The remuneration report:

1. describes the policies behind, and structure of, the remuneration arrangements of the Company and the link between the remuneration of team members and the Company's performance;
2. sets out the remuneration details for the non-executive directors, the Group CEO and the group executives of the Company who together have the authority and responsibility for planning, directing and controlling the activities of the Company; and
3. explains the differences between the bases for remunerating non-executive directors and executives.

A reasonable opportunity for discussion of the remuneration report will be provided at the annual general meeting. The vote on the resolution in item 3 is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote and discussion at the meeting into account in setting remuneration policy for future years.

### **Recommendation**

*The Board unanimously recommends that shareholders vote in favour of this resolution.*

## 4 Resolutions to approve the grants of performance rights to Mr Jeffery Adams, Group CEO

### Background

Shareholder approval is sought to grant:

- 532,946 performance rights to the Group CEO, Mr Jeffery Adams, as part of his long-term incentive (**LTI**) for FY21; and
- 367,646 performance rights to Mr Adams as part of his LTI for FY22,

(the **Performance Rights**).

In light of the uncertainty around the COVID-19 pandemic, the Board decided to defer finalising the grant of an FY21 LTI award for Mr Adams until the business outlook was clearer. Given the stability of Metcash's operations over FY21, the Board has determined that it is appropriate to proceed with the FY21 LTI award to Mr Adams on the usual terms, and accordingly shareholders are being asked to approve both the FY21 and FY22 LTI grants at this year's annual general meeting.

If shareholder approval is obtained, the Performance Rights will be granted under the Company's Senior Executive Performance Rights Plan (**PRP**).

### Why is approval sought?

ASX Listing Rule 10.14 requires the Company to obtain shareholder approval in order to issue securities to a director under an employee incentive scheme.

Accordingly, the Company is seeking shareholder approval for the grant of Performance Rights to Mr Adams in the interests of transparency and good governance, and so that the Company will have the flexibility to issue shares to Mr Adams if the performance conditions are achieved and his Performance Rights subsequently vest.

If shareholder approval is not obtained, the Board will consider alternative arrangements to appropriately remunerate and incentivise Mr Adams.

### Number of Performance Rights

If shareholders approve each of the grants of Performance Rights to Mr Adams, he will be granted 532,946 Performance Rights in respect of FY21, and 367,646 Performance Rights in respect of FY22.

These numbers have been determined as follows:

- in respect of the FY21 grant, dividing Mr Adams' FY21 LTI opportunity of \$1,375,000 by \$2.58 being the volume weighted average price (**VWAP**) of the Company's shares traded on the ASX over the 20 trading days ended 16 March 2020, being the last trading day determined by the directors to be the closest day to the end of the Company's 2021 financial year that was before the impact of the COVID-19 pandemic. The Board determined that it was appropriate to determine the VWAP during this pre-COVID-19 period for the FY21 annual LTI grant. Mr Adams' FY21 LTI opportunity is 76.4% of his Total Employment Cost (**TEC**) of \$1,800,000; and
- in respect of the FY22 grant, dividing Mr Adams' FY22 LTI opportunity of \$1,375,000 by \$3.74, being the VWAP of the Company's shares traded on the ASX over the 20 trading days ended 30 April 2021, the last trading day before the start of the Company's 2022 financial year. Mr Adams' FY22 LTI opportunity is 76.4% of his TEC of \$1,800,000.

The actual value that Mr Adams will receive (if any) will depend on whether the performance conditions for each grant are achieved and the price of the Company's shares at the date of vesting.

The Company uses Performance Rights because they create share price alignment between executives and ordinary shareholders, but do not provide the executives with the full benefits of share ownership (such as dividend and voting rights) unless and until the Performance Rights vest.

### **Performance Conditions**

Each award will be subject to two performance conditions that will be tested over a three-year performance period. For the FY21 grant, the performance period runs from 1 May 2020 to 30 April 2023. For the FY22 grant, the performance period runs from 1 May 2021 to 30 April 2024.

For each award, half of the Performance Rights will be subject to an absolute total shareholder return (**TSR**) hurdle. The remaining half of the Performance Rights will be subject to a return on funds employed (**ROFE**) hurdle. Further detail about each of these performance conditions is set out below.

#### **Absolute TSR**

TSR is measured as the growth in share price over the performance period plus dividends paid to shareholders and assuming dividends are reinvested when they are paid. The opening and closing share prices used in the calculation are set with reference to the VWAP of Metcash shares over the 20 business days ended 16 March 2020 and 30 April 2023 respectively (for the FY21 LTI) and the 20 business days ended 30 April 2021 and 30 April 2024 (for the FY22 LTI). The Board may exercise its discretion to include other share capital transactions, including buybacks and otherwise adjust the calculation for capital transactions as deemed appropriate. The TSR result is expressed as a percentage and reported as the compound annual growth rate over the performance period (**TSR CAGR**).

<b>Metcash TSR CAGR</b>	<b>% of Performance Rights subject to the Absolute TSR condition that vest</b>
Below Threshold	0%
Threshold	25%
Between Threshold and Target	Pro-rata vesting on a straight-line basis
Target	50%
Between Target and Stretch	Pro-rata vesting on a straight-line basis
Stretch	75%
Between Stretch and Maximum	Pro-rata vesting on a straight-line basis
Maximum or above	100%

The Board sets the above TSR performance condition through consideration of historical returns of ASX200 companies, future expectations regarding market returns and also the Metcash weighted average cost of capital (**WACC**). Full vesting of the TSR component will only occur if Metcash achieves a TSR CAGR of 10% or more in respect of the relevant three-year performance period, which is approximately one percentage point higher than the Metcash WACC. If the Performance Rights ultimately vest, the performance condition percentages will be disclosed after the test date.

#### **ROFE**

ROFE is calculated as underlying Earnings Before Interest and Tax (**EBIT**) divided by the average of funds employed at the beginning and end of the financial year. The overall ROFE result will be determined as the mathematical average of the individual ROFE result determined in respect of each of the relevant three financial years over the performance period.

<b>Metcash ROFE</b>	<b>% of Performance Rights subject to the ROFE condition that vest</b>
Below Threshold	0%
Threshold	25%
Between Threshold and Target	Pro-rata vesting on a straight-line basis
Target	50%
Between Target and Stretch	Pro-rata vesting on a straight-line basis
Stretch	75%
Between Stretch and Maximum	Pro-rata vesting on a straight-line basis
Maximum or above	100%

The Board sets the above ROFE performance condition through consideration of the latest strategic plan presented to the Board (which is commercially sensitive) and also after taking into account the strategic and market risks and opportunities which may present over the performance period. Full vesting of the ROFE component will only occur if Metcash achieves a ROFE of 26% or more in respect of the relevant three-year performance period. If the Performance Rights ultimately vest, the performance condition percentages will be disclosed after the test date.

Mr Adams' Performance Rights will be tested:

- against satisfaction of the above performance conditions after the financial results of the last year of the performance period are released (for the FY21 LTI in or around June 2023, and for the FY22 LTI in or around June 2024); and
- in respect of an employment service condition (up to 15 August 2023 for the FY21 LTI and up to 15 August 2024 for the FY22 LTI).

When testing the performance conditions, the Board has discretion to include or exclude any items from its calculations. Calculation of the hurdles and achievement against the hurdles will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including changes to Australian Accounting Standards). Any Performance Rights that do not vest when they are tested will lapse.

### **Terms applying to all Performance Rights**

<b>Vesting</b>	<p>Each Performance Right that vests entitles Mr Adams to one share in the Company (or an equivalent cash payment in lieu of an allocation of shares).</p> <p>Any shares issued or transferred to Mr Adams on vesting of his Performance Rights may be purchased on-market or issued by the Company. No amount will be payable by Mr Adams for those shares.</p> <p>The Performance Rights do not carry any voting rights or entitlements to receive dividend payments prior to vesting. Once Performance Rights have vested, the shares issued or transferred to Mr Adams are not subject to any disposal restriction, however Mr Adams must comply with the Company's Securities Trading Policy as amended from time to time.</p>
<b>Cessation of employment</b>	<p>Unless the Board determines otherwise, where Mr Adams' employment is terminated:</p> <ul style="list-style-type: none"> <li>▪ for cause or he resigns or gives notice of resignation prior to the vesting date, all unvested Performance Rights will lapse; or</li> <li>▪ in all other circumstances, a pro rata portion of his unvested Performance Rights will remain on foot (calculated based on the portion of the performance period that has elapsed) and will be tested in the ordinary course subject to the performance conditions outlined above as though Mr Adams had not ceased employment.</li> </ul>
<b>Change of control</b>	<p>The Board has full discretion to vest or lapse some or all of Mr Adams' unvested Performance Rights if there is a takeover or other event that the Board reasonably</p>

considers should be treated in the same way as a change of control of the Company.

**Misconduct** The PRP Rules contain forfeiture and clawback provisions that will apply in certain circumstances. For example, if Mr Adams acts fraudulently or dishonestly or is in breach of his obligations to the Metcash Group, the Board may determine that any or all of his Performance Rights lapse (or shares allocated on vesting are forfeited).

#### **Additional information provided for shareholders in accordance with ASX Listing Rules**

Listing Rule 10.15.4 requires this Notice of Meeting to include details (including the amount) of Mr Adams' current total remuneration:

Total Employment Cost (including superannuation) (TEC)	\$1,800,000
Short-term incentive	68.1% of TEC at target, 153.1% of TEC at maximum
Long-term incentive	76.4% of TEC on a face value basis

Shareholders are referred to the Company's remuneration report for full details of Mr Adams' remuneration.

If shareholder approval is forthcoming, the Company intends to grant the Performance Rights to Mr Adams as soon as practicable after the annual general meeting and, in any event, no later than 12 months after approval is obtained.

No amount will be payable by Mr Adams for Performance Rights as they form part of his total remuneration package.

The ASX Listing Rules require this Notice of Meeting to state the number and average price of securities received by Mr Adams under the PRP. 1,358,750 Performance Rights have been issued to Mr Adams under the PRP (at no cost) in respect of prior year long-term incentives. 547,848 of those Performance Rights have vested and are now held as ordinary shares. No other director of the Company is entitled to participate in the PRP.

No loan will be made by the Company in connection with the grant of Performance Rights or the allocation or issue to Mr Adams of any shares on vesting of those Performance Rights.

If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

Details of any Performance Rights issued under the PRP 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 ASX Listing Rule 10.14. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the PRP after this resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under that rule.

#### **Recommendation**

*The Board (with Mr Adams abstaining) unanimously recommends that shareholders vote in favour of the resolutions to grant Mr Adams Performance Rights set out in item 4.*

## **5 Resolution to increase the non-executive director aggregate fee pool**

ASX Listing Rule 10.17 provides that a listed entity must not increase the total aggregate amount of directors' fees payable to all of its non-executive directors without shareholder approval. Rule 7.3(a) of the Metcash constitution also provides that the total aggregate amount provided to all non-executive directors of the Company for their services as directors must not exceed in any financial year the amount fixed by the Company in general meeting.

Shareholders are being asked to approve an increase in the maximum amount available for payment of non-executive directors' fees by \$400,000 to \$2,000,000. The current maximum amount of \$1.6 million was approved by shareholders at the 2012 annual general meeting.

The Board believes that effective leadership and governance are essential to the Company's future success. For this reason the fees paid to non-executive directors need to be competitive and must enable the Company to attract, motivate and retain directors of the highest quality.

The Company is seeking approval to increase the maximum non-executive director aggregate remuneration in order to:

- provide flexibility with Board and Committee appointments, so that the Board can appropriately manage succession planning and potential new director appointments in light of the mix of skills, experience and diversity on the Board to ensure it is operating effectively (and so that any changes in composition are effected as smoothly as possible); and
- enable continued review of non-executive director fees in the future, so that the Board can continue to attract and retain high quality directors for the benefit of the Company.

This aggregate fee pool is a maximum limit only. The additional headroom is seen as prudent to give the Board the necessary flexibility to continue operating effectively and manage succession planning. If this resolution is not approved, the Board will not have this flexibility.

No securities have been issued to any non-executive director under ASX Listing Rule 10.11 or 10.14 with shareholder approval within the last three years.

### **Recommendation**

*As the non-executive directors have an interest in the outcome of this item, the Board does not believe it is appropriate to make a recommendation to shareholders as to how to vote on this item.*