

2021 Annual Report

Foundations for the future

Foundations for the future

Ampol is Australia's leading transport energy distributor and retailer.

Our privileged infrastructure, international footprint, supply chain expertise, deep customer relationships, iconic brand and 8,300 passionate people underpin Ampol's position as Australia's leading supplier of mobile energy and provide the foundations to transform our business as energy markets evolve.

While facing the re-emergence of COVID-19, in 2021 Ampol demonstrated the resilience and momentum required to deliver for our customers and our economy today. This was shown through the resilience of our valued employees, our strong operational and financial performance, our commitment to ongoing refining operations at Lytton, and the continued growth of our International business.

These base operations will play a critical role in delivering the financial strength required to invest in our evolving energy business.

In 2021, Ampol released its Future Energy and Decarbonisation strategies, including an ambition to achieve net zero emissions across our operations by 2040. We also established a strategic framework for how we will evolve our business to support the changing needs of customers through new solutions in electricity, hydrogen, biofuels and carbon mitigation.

The unique Ampol brand remains one of the leading fuel brands in market with 880 sites rebranded at the end of 2021. This brand is supported by our commitment to making a difference in local communities, including through our major partnerships with The Smith Family and Surf Life Saving Australia. The refresh of sites across our retail, reseller and distributor networks further embeds the positive role that we can play.

With an established management team, fresh momentum, and a new head office in Sydney, we will continue to balance today's business with investment for tomorrow, keeping customers at the heart of everything we do.

We are *Powering better journeys* both today and into the future.



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About this report

This 2021 Annual Report for Ampol Limited (ACN 004 201 307) has been prepared as at 21 February 2022. Throughout this document, terms such as Ampol and Ampol Australia have the same meaning as Ampol Group, unless the context states otherwise.

Shareholders can request a printed copy of the Annual Report, free of charge, by emailing ampol@boardroomlimited.com.au or writing to Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000

2021 Highlights

We achieved strong financial and operational performance in 2021, continued to deliver on commitments to shareholders, progressed growth strategies, continued our rebrand and put the foundations in place to transform as energy markets evolve.

Group performance

RCOP EBITDA

\$1.003^b

RCOP EBIT

\$631.2^m

↑ 57% on 2020

Operating cash flow

\$634.6^m

22.04

billion litres

Future Energy and Decarbonisation strategies

launched

Fuels and Infrastructure

Significantly improved performance in Fuels and Infrastructure underpinned by international growth and an improving refiner margin



See page 12

Fuels and Infrastructure RCOP EBIT

\$417.6^m

↑ 170% on 2020

154.4

20

21

Completed refinery review

with decision to continue operating until at least 2027

Lytton EBIT uplift of

~\$300^m

when compared with the \$144.8m loss in 2020

Significant growth in International volumes

↑ **38%** on 2020

Convenience Retail

Retail network transforming under Ampol as rebrand delivered ahead of schedule



See page 16

Convenience Retail non-fuel EBIT uplift

\$52.6^m

delivered to date¹

On track to achieve \$85m EBIT uplift by 2024



880

sites rebranded to Ampol at end 2021²

20

new Ampol Woolworths Metro sites added, with 26 sites now in operation

1,881 sites in branded and AmpolCard-accepting network, largest in Australia

Delivering for shareholders



Franking credits released

\$196m

Dividend

93cps

total dividend (fully franked)

Proposed Z Energy acquisition announced

Successful completion will create a Trans-Tasman transport fuels leader

\$48m

expected net proceeds from sale of 49% minority interest in 20 freehold Convenience Retail sites

A\$500m

subordinated notes issued
Forms part of Ampol's ongoing capital management strategy

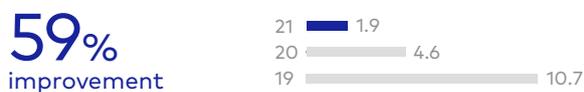
- Cumulative EBIT uplift achieved during 2020 and 2021.
- Total rebranded sites includes company-controlled sites, distributor and Retail Owned Retail Operated (RORO) sites, depots and terminals.
- Total community investment includes cash donations, funds raised from customers in our retail network, in-kind support (including provision of fuel products), employee contributions, volunteering hours and management fees.

Operating sustainably



Safety TRIFR

Fuels and Infrastructure



Convenience Retail



\$3.17m

invested in community programs through the Ampol Foundation³

12%

estimated reduction in Scope 2 emissions across our retail network as a result of the establishment of a renewable energy procurement contract in WA

CO₂-e operational emissions (million tonnes)



1 Scope 1
2 Scope 2

Message from the Chairman and the Managing Director & CEO

Dear shareholders, 2021 was a successful and transformational year for Ampol.

Despite the ongoing uncertainty created by COVID-19, the company delivered strong financial and operational performance, including ongoing improvements in safety outcomes.

We also made further progress executing our established growth strategies, continued our exciting Ampol rebrand and put the foundations in place to transform our business as energy markets evolve.

There were many highlights from the past 12 months. We achieved record total sales volumes of 22.04 billion litres, delivered significant growth in volumes and earnings in our International business and opened 20 new Ampol Woolworths Metro sites as we continued to execute our Convenience Retail growth strategy.

We also remained focused on cost and capital discipline and on delivering on our commitments to shareholders. Our \$300 million Off-market Buy-back was completed in January 2021, we made strong progress on ongoing cost-out initiatives, and we maximised value from the decision to continue refining operations at Lytton, supporting the dual objectives of fuel security and energy transition in partnership with government.

The release of our Future Energy and Decarbonisation strategies put the foundations in place to evolve our business for the future. We have a pathway to achieve our ambition of net zero emissions from operations (Scope 1 and 2) by 2040 and are taking steps to build new energy solutions for customers.

Later in the year, we announced a binding agreement to acquire Z Energy in New Zealand, subject to shareholder and regulatory approvals. This demonstrated significant progress towards our strategic objective of regional market leadership.

Strong and resilient financial performance

Ampol delivered strong financial performance in 2021 with our highest replacement cost of sales (RCOP) earnings before interest and tax (EBIT) result since 2018. Our RCOP EBIT result was \$631.2 million, up 57% on 2020.

Our record total sales volume of 22.04 billion litres represents a significant achievement given ongoing uncertainty in global markets and interruptions caused by COVID-19. Significant growth in international sales volumes more than offset the impact that COVID-19 and competitor supply chain decisions had on Australian sales volumes. International volumes were up 38% on 2020 and RCOP EBIT for Fuels and Infrastructure International increased 31% to a record \$110.9 million, demonstrating the strong progress we have made on our strategy to diversify and grow internationally.

Elsewhere in Fuels and Infrastructure, safe and reliable operations at the Lytton refinery drove increased production in an improving refiner margin environment, with our Lytton team delivering an RCOP EBIT of \$158.7 million and total volumes of 6.14 billion litres. We also completed our refinery review and made the decision to continue operating in partnership with government. Ampol was pleased that this outcome delivers value for shareholders and supports the government's priorities in energy security, while providing a path forward for our valued employees at Lytton and preserving manufacturing skills that will be critical for success in the energy transition.

The resumption of production at Lytton displaced additional imported volumes required in 2020 during the extended turnaround and inspection (T&I). This was the main contributor to the reduction in Fuels and Infrastructure Australia's (ex-Lytton) RCOP EBIT to \$110.2 million in 2021.

Group RCOP EBIT



In Convenience Retail, RCOP EBIT declined to \$253.7 million and total volumes fell by 4.9%, with COVID-19 impacts affecting most of the second half and offsetting positive trends in first half fuel volumes, shop sales and earnings. Rapidly rising crude and product prices also put pressure on fuel margins – particularly diesel margins that take longer to respond – but showed improvement towards the end of the year. Despite this, we have delivered a cumulative \$52.6 million of our non-fuel earnings uplift target to date (FY2020 and FY2021), and are on track to achieving our target of \$85 million in earnings uplift by 2024. We also continued our focus on reducing labour costs, waste and shrinkage.

Safety performance continues to improve

The safety of our people and our customers remains a priority and in 2021 we delivered strong improvement in our safety performance. This was particularly pleasing given the impacts and disruption caused by COVID-19, and we are proud of the way our people responded to these challenges and maintained operational excellence throughout the year.

Across the year, we delivered a considerable reduction in recordable injuries and in injuries requiring time away from work. This improvement was the result of our ongoing focus on safety leadership and culture, and our efforts to deliver targeted programs to improve safety practices and procedures.

In Fuels and Infrastructure, we delivered a 59% reduction in our Total Recordable Injury Frequency Rate (TRIFR) and a 27% reduction in our Days Away from Work Injury Frequency Rate (DAFWIFR). We also delivered our annual T&I at the Lytton refinery incident-free. In Convenience Retail, TRIFR reduced by 54% and DAFWIFR by 50%.

Senior appointments and building organisational culture

In 2021, we also made several important appointments to the Ampol Board and leadership team and continued our work to build the right workplace culture to support the success of our business.

In September, Elizabeth (Betsy) Donaghey was appointed to the Ampol Board as an Independent Non-executive Director. Betsy brings significant experience in the energy and oil and gas sectors to Ampol and has already made a strong contribution to the execution of our strategy.

This appointment followed the retirement of Barbara Ward as a Non-executive Director of Ampol after six years on the Board. Barbara made a valuable contribution to Ampol over this time, including as Chair of the Human Resources Committee and as a member of the Audit Committee. We thank her and wish her all the best for the future.

We also appointed Greg Barnes as Group Chief Financial Officer in July and in November welcomed Meaghan Davis as Executive General Manager, People and Culture. These two appointments further bolster our experienced leadership team and we are confident we have the skills in place to successfully execute our strategy.

Across our business, we continued to implement programs to further build a culture of high performance and to remove barriers to more courageous thinking in how we make decisions.

A key milestone late in 2021 was the opening of our new Sydney head office in Alexandria, a modern and purpose-built space which will support our teams to work more closely and collaboratively. We also delivered our annual engagement survey, which showed a pleasing improvement in employee engagement. Engagement levels rose 9 points to 72%, showing we are on the right track to building the culture required to support the delivery of our strategy.



Chairman, Steven Gregg, with Managing Director and CEO, Matt Halliday

🕒 CASE STUDY

Growing our international platform with the proposed Z Energy acquisition

In October 2021, we were excited to announce the execution of a scheme implementation agreement to acquire Z Energy in New Zealand. Z Energy is a logical growth opportunity for Ampol, and a natural fit with our established international growth strategy.

Ampol and Z Energy have similar operating models, underpinned by market-leading infrastructure, deep customer bases and knowledge of local supply chains.

A combined entity would create a Trans-Tasman leader in transport fuels and convenience retail, with significant additional scale.

The main opportunity for Ampol is to leverage our knowledge of the transition to a fuel import market through our established trading and shipping capabilities and we believe this capability can also play

an important role in supporting fuel security in New Zealand.

Ampol's established trading and shipping capabilities, regional supply chain and broader fuels infrastructure in Australia would strengthen fuel security as the Marsden Point oil refinery transitions and the country moves to a fuel import market.

A combined entity would also create a new and larger platform to accelerate the energy transition from a position of strength, building on the existing work of both organisations in Australia and New Zealand.

The transaction is still subject to shareholder and regulatory approvals, and we look forward to working together with the Z Energy team in 2022 to deliver on the timetable for completion.

Message from the Chairman and the Managing Director & CEO continued



We have rebranded 880 sites across our entire network since we announced the brand transition

Delivering on our promises and maintaining a strong balance sheet

We have again made excellent progress delivering on our commitments to shareholders. Over the past 12 months, Ampol has delivered \$479 million in capital returns and released \$196 million in franking credits, as well as a fully franked total dividend of 93 cents per share.

Our balance sheet remains strong, which has enabled Ampol to weather market interruptions and lockdowns, to operate safely and to progress the implementation of our strategy.

Several capital initiatives were completed in 2021. In December, we successfully raised A\$500 million from an issue of subordinated notes to wholesale investors in the domestic fixed income market. We also announced the sale of a further 20 core freehold Convenience Retail sites to an unlisted trust in which Ampol maintains a controlling interest, expecting to release \$48 million in net proceeds.



Paul Sernia, Endua CEO, with Matt Halliday, Ampol Managing Director and CEO

"We have partnered with Endua to support the delivery of a green hydrogen-powered off-grid clean energy solution."

Both of these initiatives ensure our balance sheet is positioned well to support our operational priorities and growth strategies.

Ampol rebrand gathers momentum

Our exciting Ampol rebrand continues to gather positive momentum. 880 sites across our network had been rebranded at the end of 2021 and customer feedback demonstrates that the iconic Australian brand is resonating strongly across our branded network. The rebranded sites have outperformed control sites on all key performance indicators, including measures of total transactions as well as volume measures including total fuel, premium petrol and AmpolCard. We have also delivered ongoing improvement in prompted and unprompted customer awareness of the Ampol brand among all demographic segments.

Across the year, we continued to introduce our new brand and purpose to customers and partners. Our 'far and wide' multichannel brand campaign launched nationally in April to showcase how our business connects and is a part of the fabric of Australian life. This campaign was supported by our major partnerships, including with the National Rugby League as the naming rights sponsor of the Ampol State of Origin and with Red Bull Ampol Racing.

We also continued to build on our work in local communities through the Ampol Foundation, with a total contribution to community programs of \$3.17 million across the year. Increased employee volunteering, and the delivery of major fundraising campaigns for The Smith Family and Surf Life Saving Australia, were two milestones throughout the year.

Foundations for future energy

In 2021, we released our Future Energy and Decarbonisation strategies, including our ambition to achieve net zero emissions operations (Scope 1 and 2) by 2040 and to invest more than \$100 million in future energy projects by 2025.

Ampol is uniquely positioned to play a key role in the energy transition. Our integrated supply chain capabilities and privileged assets, Australian brand, customer relationships and industry knowledge, when combined with our financial strength, set us apart from our competitors and will put us at the forefront of building new energy solutions to support change across the Australian economy. The flexibility to repurpose our market-leading infrastructure and distribution networks for multiple uses will support the most efficient pathway for our customers' decarbonisation ambitions and underpins our competitive advantage to participate in new energy opportunities.

Our decarbonisation efforts and new initiatives to extend our customer value proposition will be executed with capital discipline to deliver sustainable returns for shareholders over the long term. As technology and policy continues to evolve, we expect the most commercially viable alternative fuel solutions to include a combination of electricity, hydrogen, biofuels and carbon offsets. We will focus our efforts on developing our customer value proposition in these key areas and seek to position Ampol as a partner of choice for industry, government and our communities.

To begin the execution of this strategy, in 2021 we announced a funding agreement with the Australian Renewable Energy Agency (ARENA) to commence the development of a national electric vehicle (EV) fast-charging network of over 200 bays across more than 100 sites, finalised a partnership with Endua to support the delivery of a green hydrogen-powered off-grid clean energy solution, and launched a carbon neutral fuel pilot program for our business customers.

We also commissioned our three-site virtual power plant (VPP) pilot in Adelaide, which includes on-site solar panels and Tesla Powerwall batteries. This has the potential to reduce Scope 2 emissions from retail operations and, over the longer term, generate new revenue streams.

Looking ahead

While there remains uncertainty over the timing of the ongoing economic recovery, in 2022 we will focus on strong operational performance and continue to execute our strategy to improve returns and deliver growth for shareholders.

This will include the expansion of our international operations toward regional market leadership, which will be shaped by the completion of the transaction to acquire Z Energy, which is targeted in the first half subject to shareholder and regulatory approvals. We will also continue to execute our Convenience Retail growth strategy, and further strengthen our position as a proud and independent Australian company through the Ampol rebrand.

Finally, we will continue to progress our work to decarbonise our operations and support the energy transition. Ampol has always been about ensuring Australians can get where they need to go – to move around, to do business, to transport goods from one place to another, to stay connected. That will remain central to our purpose as we move forward and will underpin the development of new energy solutions for customers.

On behalf of the Board and leadership team, we would like to thank our employees for their resilience and performance in a tough environment over the past year. Our financial and operational results reflect the skill, commitment, and passion that our team shows each day to operate safely and deliver for customers.

We also thank our business partners, suppliers and contractors that have worked with us to deliver safely and reliably for our customers.

We would also like to thank Ampol shareholders for their continued support. We look forward to another successful year in 2022 as we continue to build on the proud legacy of this great Australian company.



Steven Gregg
Chairman

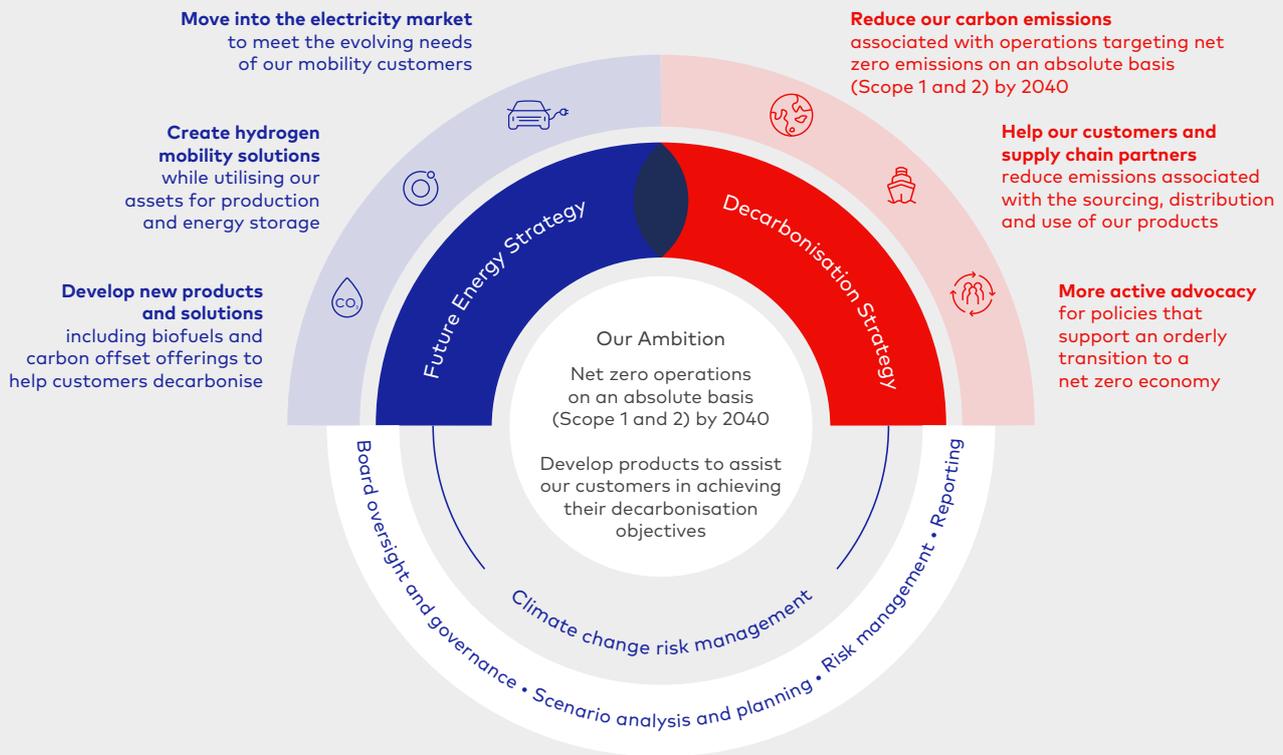
Matt Halliday
Managing Director and CEO

Future Energy and Decarbonisation Strategies

Ampol is committed to reducing its carbon footprint across the value chain and supporting the energy transition.

Our financial strength, integrated end-to-end supply chain, including manufacturing and distribution capabilities, as well as our iconic Australian brand, customer relationships, industry knowledge and market-leading position in the transport energy sector will enable us to build energy solutions that can support the transition and broader change across the Australian economy.

Future Energy and Decarbonisation Strategies



Future energy highlights

Commitment to invest a minimum of **\$100m** in future energy projects by 2025

Partnership with ARENA announced

to begin roll-out of national EV fast charging network to over 100 sites

Partnership with CSIRO and Main Sequence

established to launch clean energy storage start-up, Endua

Development of a green hydrogen production pilot at Lytton underway

Carbon neutral fuel pilot program launched to business customers

Decarbonisation highlights

By 2040 net zero emissions

from operations (Scope 1 & 2) with interim 2025 and 2030 targets in place

Inaugural sustainability-linked loan

linked to our public decarbonisation and investment commitments to 2025

Ampol is a founding member of the Climate Leaders Coalition

supporting development of the 2030 Decarbonisation Roadmap

Virtual power plant pilot

commissioned in South Australia, working with Tesla and Enerven

12% estimated reduction in Scope 2 emissions

across our retail network as a result of the establishment of a renewable energy procurement contract in WA

In 2021, we set the foundations for our business to reduce emissions and transform along with the energy needs of our customers.

We launched our Future Energy Strategy, which sets out steps we are taking to extend our customer value proposition and target new opportunities in electricity, hydrogen, biofuels and carbon. This Strategy will enable and accelerate the transition for our customers as their energy needs evolve.

Building our future energy team, including increasing capability and upskilling employees, was also a focus in 2021. By the end of 2021, 42 new roles had been created, with 48% of these roles being fulfilled by existing employees. Reskilling our current employee base will continue to be a focus over the coming years as we evolve our assets.

Through our Decarbonisation Strategy, we have set an ambition to reach net zero emissions on an absolute basis across our operations (Scope 1 and 2) by 2040, with operational emissions reduction targets set for 2025 and 2030, consistent with meeting this objective.

Our strengths enable us to successfully participate in emerging future energy markets

We believe that our strengths enable us to successfully participate in opportunities arising from the energy transition. The combination of our existing assets and infrastructure, capabilities and brand will be key in supporting the transition and allow us to create new customer value propositions aligned with their decarbonisation goals.

Our key strengths and opportunities include:

- strong existing relationships with mobility customers, embedded across both consumer and business channels, provide a natural starting point to move into the electricity market to serve their future energy needs;
- privileged existing industrial land and assets (including Kurnell and Lytton) which can be repurposed for manufacturing, storage and distribution of new energy solutions;
- drop-in and transitional solutions to existing supply chains, such as biofuels;

- evolving our retail network, Australia's largest, as customer needs change;
- working with our significant business customer platform to develop and build new solutions; and
- a commodity risk management capability and mindset.

We are already leveraging these strengths to create new solutions for our customers. Examples include the launch of our carbon neutral fuel pilot program with our business customers, which provides an interim solution for customers who are wanting to take immediate climate action and offset emissions associated with their consumption of fuel, while helping to support important environment and community projects in Australia and overseas. We've also taken steps in 2021 to evolve our infrastructure positions through a green hydrogen production plant pilot at Lytton, and the evolution of our retail network through the establishment of a VPP pilot in South Australia and the announcement of an EV fast-charging station roll-out nationally.

We are building partnerships to support entry into new markets

Ampol is working with a range of partners to collaborate on solutions across electricity and hydrogen.

This includes supporting the launch and development of a new Australian clean energy storage start-up, Endua, on the delivery of a hydrogen-powered energy storage solution that is sustainable, reliable and affordable to key industries across Australia. Endua is also supported by CSIRO and Main Sequence, and we are working closely with them and the Endua team to support commercialisation of this new technology.

Ampol has also installed Tesla Powerwall batteries and solar systems at three of our retail sites to form a VPP pilot. This project is expected to provide energy savings and reductions in Scope 2 emissions, as well as generating new revenue streams for Ampol over the longer term.

In July, we entered a funding agreement with ARENA to commence the delivery of a fast-charging network to support the uptake of battery EVs in Australia. As part of this agreement, we will deliver

EV fast charging to more than 200 bays at over 100 retail sites across the country.

As part of our objective to utilise our privileged infrastructure positions to participate in the emerging hydrogen industry, Ampol also entered an agreement with Fusion Fuel Green to pilot a green hydrogen production plant at our Lytton refinery.

Decarbonising our operations

We have identified five decarbonisation goals to guide our approach to reducing our emissions, together with actions through to 2025 to enable our efforts and improve our emissions performance over time.

Our goals are:

1. to reduce carbon emissions associated with our operations targeting net zero emissions on an absolute basis (Scope 1 and 2) by 2040;
2. to help our customers reduce emissions from their use of energy products;
3. to increase our investment in lower carbon energy over time;
4. to collaborate with our supply chain partners to reduce emissions associated with our industry; and
5. to advocate more actively for policies that support a net zero economy.

Since announcing these goals in May 2021 and putting in place decarbonisation plans for both our Convenience Retail and Fuels and Infrastructure businesses, we have taken tangible steps to decarbonise our operations.

Key achievements included the establishment of a sustainability-linked loan, establishment of a two-year renewable energy procurement contract in WA supplying 100% renewable energy to all of our retail sites, and the commencement of our VPP trial in South Australia. To support these activities, we are establishing a governance group, chaired by our Group Chief Financial Officer, to oversee group-wide decarbonisation activities.

We have also become founding members of the Australian Climate Leaders Coalition, advocating for a net zero emissions economy by 2050.

Our Operations

Ampol is Australia's market-leading transport energy business, underpinned by strategic infrastructure and customer positions.

We operate a portfolio of highly strategic assets, including privileged infrastructure located across key demand centres, and have the leading branded retail network with 1,881 sites nationwide.

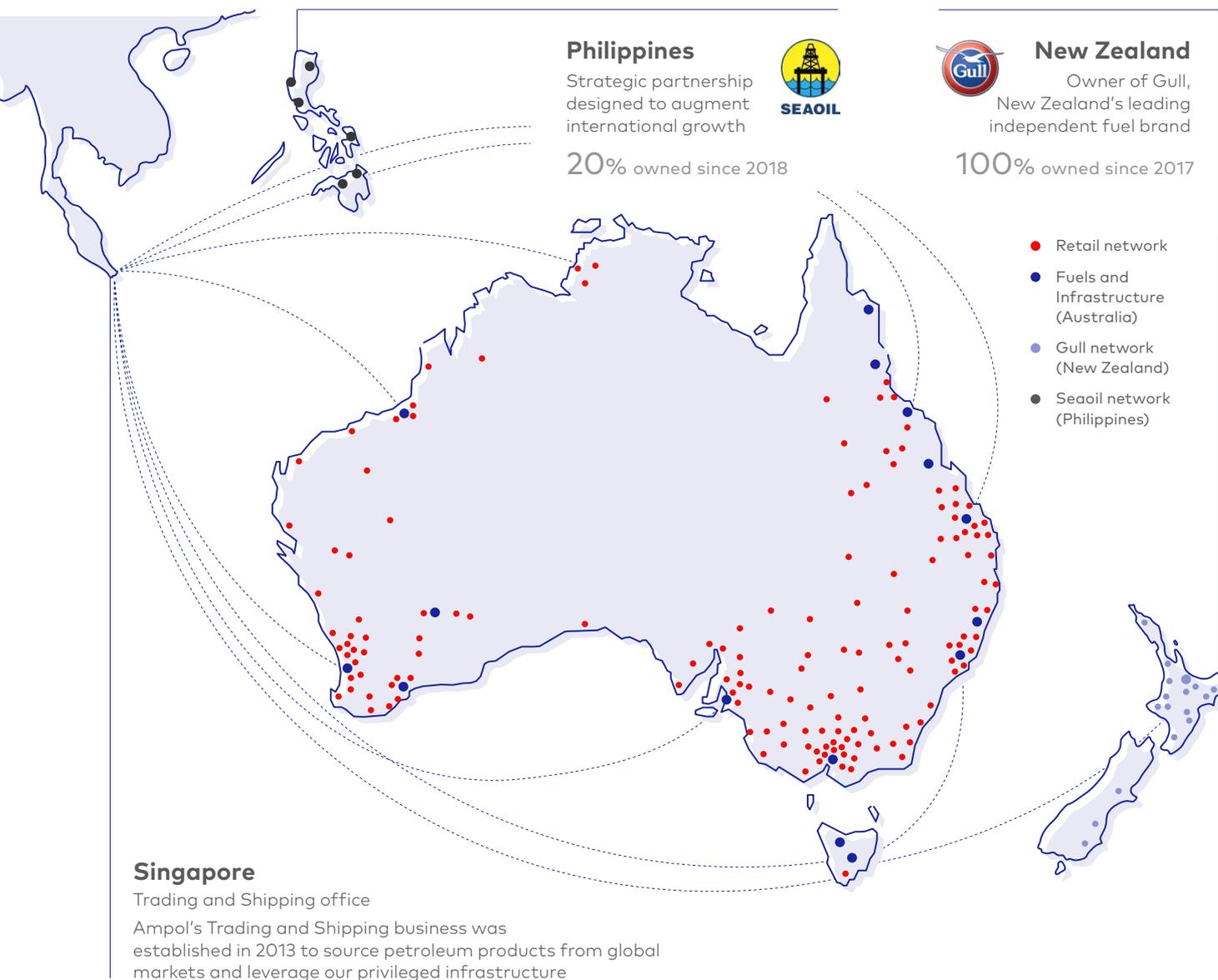
Our strong infrastructure position is augmented by our supply chain expertise, including a rapidly growing international presence through our trading and shipping operations in Singapore and the United States. In 2021, our trading and shipping business sourced from 20 countries across the globe.

This position and expertise enables us to safely and reliably serve our deep customer base, which is diversified across both wholesale and retail channels. This includes our network of approximately 80,000 business customers, a retail network that serves approximately three million customers each week and our market-leading card offer with AmpolCard.

The flexibility and strength of our positions highlight the significant transformational opportunity the energy transition presents for Ampol, and our ability to participate in emerging markets.

Houston

Houston Trading and Shipping office, which commenced trading in October 2020



Principal activities

Fuels and Infrastructure



Our Fuels and Infrastructure business sources, imports, refines and distributes fuels and lubricants to a diverse customer base.

~80,000

B2B customers

22.04BL

total sales volumes in 2021

With capability and scale across the transport energy supply chain, we are one of the leading operators in Australia and an emerging player in the Asian and United States regions.

Our capability in product sourcing, peerless infrastructure and network assets, coupled with our deep customer relationships, allows us to run an integrated business and to drive value from international sourcing through to wholesale supply of fuels and lubricants.

In a competitive and evolving market, Fuels and Infrastructure has transitioned successfully over the past six years from a single market supply function to a long-term growth engine that has delivered increased volumes, capabilities and geographies.

Convenience Retail



Our Convenience Retail business directly operates a network of 684 sites to deliver fuel, lubricants and a range of convenience and essential products to approximately three million customers every week.

~3 million

weekly customers at our company-controlled network

684

company-controlled retail sites

1,881

sites in branded and AmpolCard-accepting network, largest in Australia

Through new formats, products, technology and services, we are redefining what convenience means for Australians. Our national network of 684 company-controlled sites delivers customers a premium fuel and card offer through *Amplify* and AmpolCard, with a growing convenience offer that is disrupting the Australian market.

Over recent years, we have evolved our convenience offer to meet the changing needs of customers and to capture the growing convenience market opportunity. This includes the introduction of our *Foodary* and Ampol Woolworths Metro formats, and partnerships with Uber Eats as well as quick service restaurant (QSR) partners such as Boost.

Fuels and Infrastructure

Our privileged assets, deep customer base, expansion into international markets and the capabilities of our people in managing complex supply chains underpins the success of our Fuels and Infrastructure business.

22.04^{BL}

record total sales,
a 9.7% increase on 2020

38% increase in
international
volumes on 2020

Proposed **Z Energy**
acquisition
announced

TRIFR **1.9** down from
4.6 in 2020

Decision to
continue
operating
at Lytton

In 2021, Fuels and Infrastructure delivered significantly improved earnings, with growth supported by increased Lytton earnings and execution of our strategy to diversify and grow our international business. While Australian volumes were impacted by COVID-19 and competitor supply chain decisions, growth in international volumes led to record total sales in 2021.

Milestones included the first full year of trading at our Houston office, our announcement to continue operating at Lytton and the proposed Z Energy acquisition.

Financial performance

Fuels and Infrastructure delivered an RCOP EBIT of \$417.6 million, an increase of 170% on the prior year, with performance underpinned by strong operating performance at Lytton and earnings growth in our international business.

During the year, safe and reliable operations at the Lytton refinery drove increased production in an improving refiner margin environment. It delivered an RCOP EBIT of \$158.7 million, which includes the benefit of \$40 million from the Federal Government's once-off Temporary Refining Production Payment to support Lytton's continued operations.

This compares with the loss of \$144.8 million incurred during 2020 when the refinery was shut down for the extended T&I due to the impact of COVID-19.

The resumption of production at Lytton displaced additional imported volumes required in 2020 during the extended T&I. This was the main contributor to the reduction in RCOP EBIT to \$110.2 million for Fuels and Infrastructure Australia (ex-Lytton). Overall, earnings from Fuels and Infrastructure's Australian operations (including Lytton) increased by approximately \$230 million when compared with 2020.

Pleasingly, the successful execution of the strategy to diversify and grow international earnings saw the Fuels and Infrastructure International RCOP EBIT grow to \$110.9 million, up 31% on the prior year. International volumes also grew by 38% to 8.99 billion litres.

📺 CASE STUDY

Lytton refinery to continue supporting 550 manufacturing jobs and enable the energy transition

In May 2021, Ampol announced it would maintain refining operations at Lytton. The announcement followed a formal review process announced in October 2020, after challenging conditions in 2020 led to a loss of \$144.8 million for the year.

Ampol engaged with the Federal Government and Queensland Government throughout the review, with the decision delivering value for shareholders and a path forward for Ampol's valued employees at the refinery. The decision supports the continued employment of 550 Australian manufacturing jobs and the indirect employment of hundreds more.



Matt Halliday, Managing Director and CEO, said: "Through our constructive engagement during the review, Ampol and the Federal Government agreed on a package of support initiatives that will underpin the viability of the Lytton refinery over the medium term and enable the continued employment of approximately 550 people in Australian manufacturing jobs and the indirect employment of hundreds more.

"The Queensland Government is also committed to working with Ampol to support ongoing refining operations, deliver a transition to the production of 'future fuels', and sustainable growth-orientated industrial uses at Lytton.

"We are pleased that the governments have recognised the challenges faced by the local refining industry, which includes competition from large-scale international refineries and the impacts of COVID-19. Under the government support initiatives, we expect Lytton to generate an appropriate return on capital through the cycle that will allow for continued investment to deliver both cost-competitive and ultra-low sulfur fuels, while also investing in future energy initiatives at the site."

"Ampol is an Australian company with a long and proud history and has been refining at Lytton since 1965, and we look forward to evolving the site as we move forward."



Fuels and Infrastructure continued

International growth continues as we expand into new markets and geographies

Our International strategy is underpinned by our ambition to accelerate expansion into international markets by growing earnings, improving our capability and agility to scale quickly into new geographies, applying learnings to unlock further potential in Australia and enabling the energy transition. We continued to focus on executing this strategy in 2021, with a significant RCOP EBIT uplift of 31% delivered in Fuels and Infrastructure International compared with 2020.

The International business is supported by our trading and shipping operations, which allows us to source petroleum products from global markets into Australia and overseas, manage price volatility and expand our customer base internationally. In 2021, we expanded our customer base across the Pacific, supplying 16 countries over the course of the year.

2021 also represented the first full year of operating in the United States, following the commencement of trading at our Houston-based Trading and Shipping office in late 2020. Supporting our Singapore Trading and Shipping business, the Houston office has enabled us to capitalise on the United States' position in international oil markets, with our presence supporting growth in the purchase and sale of cargo related to the Americas, which improves resilience across our supply chain and increases commercial options to grow our customer base.

Our Houston office has also enabled us to diversify our crude supply capability by building direct relationships with US-based crude producers to reduce landed crude costs and improve Lytton financial performance.

"The Houston office has enabled us to capitalise on the United States' position in international oil markets, with our presence supporting growth in the purchase and sale of cargo related to the Americas.

This helps us to improve resilience across our supply chain and increase commercial options to grow our customer base."



We have launched our own into-plane refuelling service at Sydney Airport

Our Gull business in New Zealand performed well during the year, despite managing the continued impacts of COVID-19 travel restrictions, adding 9 new sites to its network. Seaoil in the Philippines, of which we own a 20% equity interest, also continued to expand its network and added an additional 71 branded sites to the network in 2021.

In August, we also submitted a non-binding indicative proposal to acquire 100% of the shares of Z Energy, a Wellington-headquartered fuel distribution and retailing company that owns and manages over 300 fuel stations in New Zealand. Z Energy is a logical growth opportunity for Ampol and forms part of our strategy to continue to grow our international footprint and earnings, and to build scale as we transform our business for the energy transition.

We are also tracking well against our 2019 commitment to deliver \$70 million in International earnings uplift by 2024, with a cumulative EBIT uplift of \$39 million delivered by the end of 2021.

Lytton operations to support fuel security and the energy transition

In May, we were pleased to announce the outcome of our Lytton refinery review, with the decision to continue operating supported by the Federal Government's Fuel Security Program. This important decision has enabled Ampol to maximise shareholder value and create the opportunity for a controlled transition to alternative uses of this strategic site, while preserving and developing 550 manufacturing jobs and hundreds more indirectly.

The Lytton refinery's earnings are underpinned by the Federal Government's variable support payment of up to \$108 million per annum during periods of very low margins, while retaining the full benefit of higher margins. This support has enabled Ampol to improve the quality of Lytton's earnings profile by significantly reducing earnings volatility and earnings downside risk. In 2021, improved regional refiner margins helped Lytton deliver an RCOP EBIT of \$158.7 million, which compares with the loss of \$144.8 million incurred during 2020 when the refinery was shut down for the extended T&I due to the impact of COVID-19. Ampol received a one-off grant of \$40 million from the Federal Government's Temporary Refining Production Payment scheme relating to the 2021 first half to support Lytton's continued operations, but did not receive a Fuel Security Service Payment for production in 2021.

The Federal Government package also includes the opportunity for a funding grant of up to \$125 million to undertake infrastructure upgrades to produce ultra-low sulfur petrol. Work on scoping this program is underway.

We will also be able to realise benefits afforded to Australian refiners under proposed minimum product stockholding obligations, including lower holding obligations, reduced working capital requirements and avoidance of costs on incremental storage. We have been engaging with government on the regulatory framework of these obligations in 2021 and anticipate being ready to meet compliance requirements in 2022.

More broadly, our leading infrastructure and supply chain positions in key demand centres across Australia, including our 15 terminals and 55 wet depots, support fuel security and provide us with optionality for repurposing and developing as the energy transition evolves. We will continue to investigate opportunities to augment our infrastructure position and capture further value in 2022.

We continue to maintain a leading position within the Australian fuels market

The heart of our business continues to be the scale of our demand base in Australia, with approximately 80,000 business customers spanning a variety of sectors, including defence, mining, transport, marine, agriculture, aviation and other commercial sectors. In 2021, with the impact COVID-19 continued to have on businesses, we remained focused on leveraging our capability, knowledge and scale to create value for our customers.

Total Australian sales volumes were 13.05 billion litres in 2021, which is 3.9% lower than the 13.58 billion litres in 2020. This reflects the full-year impact of COVID-19 on jet volumes, the impact of rolling lockdowns on Australian retail market demand in the second half, as well as competitor supply chain decisions earlier in the year that adversely impacted net buy/sell volumes.

This year, Ampol successfully completed the conversion to Mobil lubricants, including repurposing our Queensland lubricant manufacturing facility and beginning distribution through both business and retail channels.

Forming part of the Ampol rebrand, this followed an announcement in late 2020 that Ampol and ExxonMobil had entered a marketing alliance to blend, distribute and market Mobil lubricants across Australia. This alliance enables Ampol to leverage its scale, Australian expertise, manufacturing capability and strong customer relationships to bring Mobil lubricants to Australian consumers and businesses. It also supports our commitment to evolving our lubricant offer to meet changing customer needs.

We also launched our own into-plane refuelling service at Sydney Airport, which will support improved volumes and earnings capability as jet fuel volumes return over the coming years.

In 2022, we will continue to leverage our strengths to improve performance in the Australian business and commercial markets, while at the same time providing our customers with new solutions to support their decarbonisation and energy transition journeys.

Improving our safety and environmental performance

In 2021, Fuels and Infrastructure delivered a 59% improvement (from 4.6 to 1.9) in its TRIFR. It also saw an improvement in the DAFWIFR to 0.8.

This was another pleasing outcome, delivered throughout a disruptive period during COVID-19 lockdowns and the Lytton review, and was a result of the continued focus put on personal safety through the delivery of fit-for-purpose projects and campaigns led by management, supervisors and front-line personnel.

Key initiatives delivered throughout the year included a peer support program at the refinery to support employees facing personal challenges affecting their mental health and wellbeing, as well as a Fit For Work program delivered in the aviation business, focusing on degenerative conditions across the employee lifecycle. A major project at the Kurnell terminal wharf also achieved the milestone of 500 days injury-free.

For process safety, during the first half Fuels and Infrastructure recorded three Tier 2 process safety incidents, all related to spill events. Detailed investigations were delivered, with improvements put in place in the second half. These improvements included an intensive Carrier Safety Intervention (CSI) program delivered for all third-party carrier incidents, as well as field inspections and ongoing engagements with carrier company management teams.

Improving environmental outcomes was also a focus in 2021, with several programs delivered to reduce emissions. This included commencing a fleet replacement program to replace Ampol's truck fleet with modern, diesel engine technology that is expected to generate a material reduction in fleet emissions, with emissions also being offset through participation in the carbon neutral fuel pilot program. We also introduced our first EV to our fleet to support our Brisbane Depot operations.



“In 2022, we will continue to leverage our strengths to improve performance in the Australian business and commercial markets, while at the same time providing our customers with new solutions to support their decarbonisation and energy transition journeys.”

Convenience Retail

Our Convenience Retail team remained focused on executing its growth strategy in 2021.

\$489,000

raised for The Smith Family and Surf Life Saving Australia combined through our retail stores

450 company-controlled retail sites rebranded to Ampol at end 2021. A total of 880 sites rebranded across the entire network

\$52.6m

Convenience Retail non-fuel cumulative EBIT uplift delivered to date (2020 and 2021), on track to achieve \$85m EBIT uplift by 2024

TRIFR **4.6** down from 10.1 in 2020

Ampol Woolworths Metro Kingsford named Australian Association of Convenience Stores (AACS) **2021 Store of the Year**

Launched **The Ampol Way**

Despite another challenging year due to the ongoing impacts of COVID-19 on consumer demand and our people, in 2021 the Convenience Retail team remained focused on revitalising the Ampol brand, executing its growth strategy and being agile and resilient to deliver for our customers.

Milestones included rebranding more than half of the network to Ampol, receiving the AACS Awards' Store of the Year Award for Ampol Woolworths Metro Kingsford, launching The Ampol Way across our network, continuing to improve safety performance and activating fundraising campaigns for The Smith Family and Surf Life Saving Australia.

Financial performance

Convenience Retail delivered an RCOP EBIT of \$253.7 million in 2021. This was lower than 2020 due to the COVID-19 impacts in the second half that offset positive trends in first half fuel volumes, shop sales and earnings.

For the full year, fuel sales volumes fell 4.9% (3.2% on a like-for-like basis) as prolonged lockdowns in New South Wales and Victoria reduced mobility in the second half. Rapidly rising crude and product prices throughout the year put pressure on fuel margins, particularly diesel margins that take longer to respond, but showed improvement towards the end of the year.

Pleasingly, in our first full year as a company operated model, we have seen the benefits of the focus on

safely reducing costs, waste and shrinkage, with shop gross margin (post waste and shrink) improving by 1.3 percentage points.

Our focus on optimising our network saw the planned closure of 19 marginal sites and the addition of one new-to-industry site. Combined with divestments and transfers to alternate operators, the company-controlled retail network size reduced by 3.4% to 684 compared with 708 at the same time last year.

The rebrand program is progressing well with 880 sites completed at the end of 2021, including 450 company-controlled retail sites. The rebranded sites are outperforming the "control" sites in key measures of total transactions, as well as volume measures including total fuel, premium petrol and AmpolCard. We have also delivered ongoing improvements in prompted and unprompted customer awareness of the Ampol brand among all demographic segments.

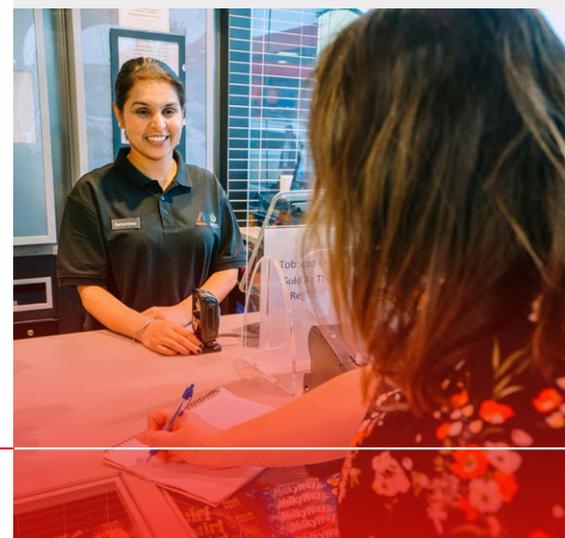
Importantly, our people continued to demonstrate resilience to ensure that we continue to operate safely for our customers, with COVID-19 protocols well embedded in our operating rhythms.

👁 CASE STUDY

Delivering for our customers The Ampol Way

Ampol was proud to launch an internal program in the fourth quarter to improve consistency in customer service across our network and support employees to *Power better journeys* through great experiences.

With the rapid growth in the number of frontline retail employees over the past four years – from only a few hundred to over 6,500 today – a solution was required to ensure that all employees have a strong understanding of the expectations and requirements of Ampol in delivering a great customer experience and operating safely.





The Ampol Way, with the central tool being The Ampol Way Playbook, is a comprehensive guide that both managers and employees alike can utilise to access information, including the 10 key customer drivers and 10 most important customer touchpoints, as well as minimum customer service store standards and procedures. The Playbook also features a Drive Time routine, designed to prepare stores for maximum efficiency across peak hours.

Joanne Taylor, Executive General Manager, Consumer and B2B, said: "We were really proud to launch The Ampol Way in October 2021 to improve our engagement with front-line retail employees and support an improved customer experience, from car to counter."

"Having consistency across our network is key to ensuring our customers have a positive and memorable experience and in turn support better customer relationships and improved store returns."

"Continuing to engage our people and reinforce The Ampol Way will be a key priority in 2022. There is already a high level of engagement and support for the program, and we look forward to continuing to deliver great experiences for our customers in the future, The Ampol Way."

"Continuing to engage our people and reinforce The Ampol Way will be a key priority in 2022."



20

new Ampol Woolworths Metro sites added in 2021, with 26 sites now in operation

Convenience Retail continued

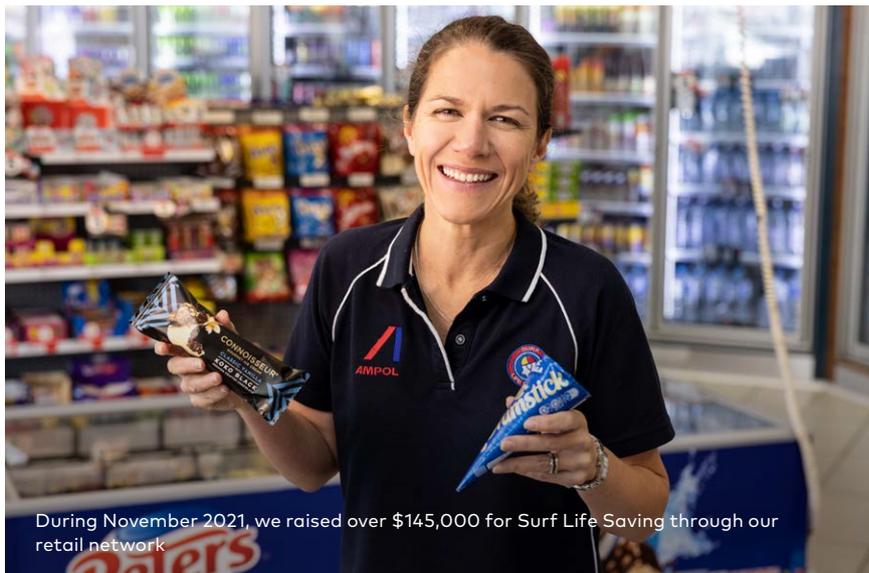
Leveraging the rebrand to transform our network and connect with communities

The revitalisation of the Ampol brand is a key part of our business strategy and has provided a unique opportunity to reinforce our customer connections and engage our people and the communities in which we operate.

We have made significant progress with the revitalisation of our iconic Australian brand across our network, with 880 sites rebranded across our entire network, including 450 company-controlled retail sites. The brand is resonating extremely well with customers, with quality, community impact and trust being key elements that consumers identify with our brand.

The roll-out of *Amplify* premium fuels and AmpolCard have been key elements of the Ampol rebrand. In 2021, the *Amplify* range completed an upgrade to a new additive that helps increase fuel efficiency, with positive responses to the fuel brand by both retail and business customers. The transition to AmpolCard was also completed in 2021.

The rebrand has also presented an opportunity to refresh the appearance of our company-controlled network, with rebranded sites transitioned to either a *Foodary* or an Ampol Woolworths Metro. Our broader retail network of distributor and Retail Owned, Retail Operated (RORO) sites continue to be engaged in the revitalisation of Ampol, with 384 distributor sites rebranded to Ampol in 2021.



During November 2021, we raised over \$145,000 for Surf Life Saving through our retail network

A major focus in 2021 was leveraging our network to make a positive impact on the communities in which we operate. Two major fundraising campaigns were delivered over the course of the year, which raised over \$343,000 for The Smith Family and \$145,000 for Surf Life Saving Australia. Retail employees also participated in volunteering activities, including for the Perth Homeless Support Group and letter writing to local Ampol-sponsored students from The Smith Family's *Learning for Life* program.

Our partnerships are key to our success

Ampol Woolworths Metro, our Tier 1 format delivered in partnership with Woolworths, continues to perform well and has set a new benchmark for convenience, service, product quality and range as the sites become central hubs for local communities in metropolitan Sydney and Melbourne. In recognising the success of the format, the Ampol Woolworths Metro Kingsford store was awarded Store of the Year and Corporate Store of the Year at the AACS Awards, demonstrating how the format innovation, range optimisation and enhancement, leading offers, technology, loyalty programs and excellent customer service available at Kingsford caters to a range of shopping missions and delivers a truly convenient solution for customers.

In 2021, we made significant progress with the roll-out, adding an additional 16 sites in Sydney and entering the Melbourne market with 4 sites.

Our long-term partnership with Woolworths continues to grow, and we will be expanding the number of Ampol Woolworths Metro sites in 2022 across both New South Wales and Victoria, working together to deploy the right format at the right location.

Our QSR partners, including our direct partnership with Boost, continues to play a key role across our network in generating traffic to our sites. Our partnership with Uber has also grown, with Uber Eats now available at more than 400 Ampol sites across the country, with 19 new sites added in 2021. Supported by the trend to online delivery, sales via Uber Eats continued to grow in 2021 and we expect this trend to continue as customer needs evolve.

Shaping our network for the future

We have remained focused on improving the quality of our network and building on work delivered in 2020 to refine our footprint and deliver stronger returns.

In 2021, this included the planned closure of 19 marginal sites, as well as the addition of a new-to-industry site in Yarrabilba, Queensland. We also executed a property transaction with Charter Hall Retail REIT for the sale of a 49% minority interest in 20 freehold sites, expecting the release of \$48 million in net proceeds.



Planning the redevelopment of four existing highway service centres on the M4 Motorway at Eastern Creek and on the Hume Highway at Pheasants Nest was a focus in 2021, with development plans for Pheasants Nest submitted to local council. These four Tier 1 sites present a strong growth opportunity for Ampol given their privileged location on major motorways.

In 2022, we will remain focused on maximising returns from our network, with new-to-industry sites targeting high-volume highway locations as well as regional growth areas.

Operational excellence is key to our growth

2021 was our first full year as a company-controlled network, following work delivered over the past four years to transition from a franchise model. As a result, the role of our retail excellence team has become even more important, with our retail workforce having grown from only a few hundred employees, to over 6,500 today.

Our retail excellence team is focused on optimising performance and delivering a consistent and exceptional experience for our customers, with safety, merchandising standards and in-store presentation being the key focus areas.

In preparation for 2022, we launched The Ampol Way to retail employees. The Ampol Way sets out the minimum standards for ensuring the customer experience from car to counter is delivered in line with Ampol values and expectations.

The program also includes a Drive Time routine, designed to prepare stores for maximum efficiency across peak hours.

All managers and employees are engaged in understanding their role in delivering The Ampol Way, with performance tracked through mystery shopping and merchandise checks.

In addition to improved engagement amongst retail employees, greater control over our network has enabled efficiencies across workforce optimisation, waste and shrinkage, and we were pleased to make further progress reducing cost in these areas in 2021.

Optimising range continues to be a focus

Optimising the product range available at our stores was a key focus in 2021, with a range segmentation program delivered to reduce waste, allocate stock efficiently and forecast accurately.

The delivery of this program included the segmentation of stores based on their sales performance across a range of categories. This resulted in a new methodology for merchandise planning where the breadth of range available at a store is now determined by the store's performance profile. This new method has proven to significantly reduce waste, support profitable operations and ensure the right product is placed in the right store.

Key suppliers were engaged through the development of this method to ensure an aligned understanding of the needs of our customers.

Strong improvement in safety performance

With the transition from franchise operations virtually complete, safety values are now embedded across the business, and this is reflected in a reduction in injuries and improvement in safety culture and leadership.

In 2021, our TRIFR reduced to 4.6, from 10.1 in 2020. Our year-on-year safety improvement has resulted in both TRIFR and DAFWIFR outperforming the levels achieved in 2018 when there was a significantly smaller cohort of company-operated stores.

Improvements have also been achieved across all injury categories, with significant reductions in the incidents of slips, trips, falls as well as manual handling. Pleasingly, there have been no Category 2 injuries recorded in 2021.

Improvements in safety performance have been achieved through specific actions to continue to strengthen our safety culture, including leadership-driven safety communications, ongoing safe work practice communication, dedicated projects for the re-engineering of higher risk tasks and a refreshed core compliance assurance program. We also continued to ensure that effective COVID-19 controls were in place. We will continue to deliver initiatives aimed at improving safety culture and performance in 2022.

Environmental risk was also a strong focus during the year, with key initiatives including the implementation of a refreshed Underground Petroleum Storage System (UPSS) risk model, enhancement of our Statistical Inventory Reporting Analysis (SIRA) tools, proactive equipment integrity testing and the commencement of a multi-year risk-based UPSS replacement program together with the roll-out of Automatic Tank Gauging (ATG).



"In preparation for 2022, we launched The Ampol Way to retail employees. The Ampol Way sets out the minimum standards for ensuring the customer experience from car to counter is delivered in line with Ampol values and expectations."

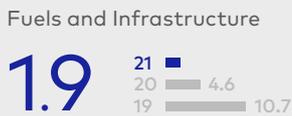
Sustainability

Keeping our people, customers, environment and community safe was a strong focus in 2021.

Safety



Total Recordable Injury Frequency Rate¹



Days Away from Work Injury Frequency Rate²



Process safety



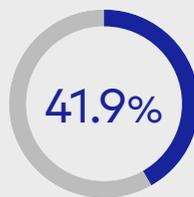
People



Female representation at leadership level



Overall female representation



Cultural health score



Environment



Carbon emissions³

Fuels and Infrastructure



Convenience Retail



0 major spills
(Vol (l) >= 8,000L)

8 minor spills
(160 < Vol (l) < 8,000L)

1 marine spill
(Any quantity)

0 significant environmental events⁴

Community



Total community investment⁵



Community complaints



Supporting the education of more than



ASSOCIATED UN SDGs



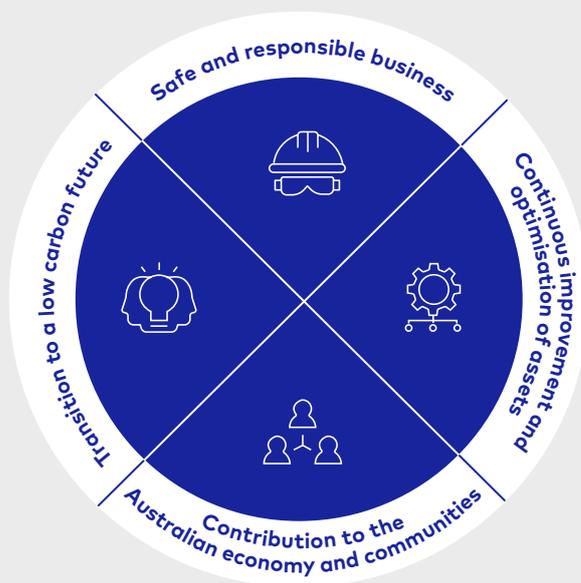
Aligning our approach with global standards

To help play our role in addressing the significant sustainability challenges our world faces, we have mapped out the United Nations Sustainable Development Goals (SDGs) against our Sustainability Strategy.



In 2020, we also became a signatory to the United Nations Global Compact.

- 4 Quality education
- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 10 Reduced inequalities
- 13 Climate action



Strategy and approach

In executing our corporate strategy and delivering on our company purpose – *Powering better journeys, today and tomorrow* – we recognise the need to take a responsible and long-term view to delivering sustainable value for our customers, shareholders, local communities and employees.

Our approach involves making sustainability core to decision making and balancing environmental, social and governance aspects with our broader strategic objectives.

In 2019, we prepared a three-year Sustainability Strategy, which is an integral part of our overarching corporate strategy.

We have defined sustainability across four pillars

Safe and responsible business

Being safe and ethically responsible in how we do business. Developing and looking after our people to support the delivery of our strategy

Continuous improvement and optimisation of assets

Delivering operational excellence, utilising resources efficiently

Contribution to the Australian economy and communities

Generating economic benefits for Australia and helping to develop communities in the areas where we operate

Transition to a low carbon future

Future-proofing Ampol and supporting our customers in the transition to a low carbon future. Engaging with our key stakeholders, including shareholders

Safe and responsible business

Significant improvement in personal safety performance

In 2021, Ampol delivered significant improvement in safety performance, including a reduction in both recordable injuries and days away from work.

Fuels and Infrastructure achieved a 59% reduction in TRIFR (from 4.6 to 1.9) and a 27% reduction in DAFWIFR as a result of the continued focus put on personal safety through the delivery of fit-for-purpose projects and campaigns. Key initiatives delivered included a peer support program at the refinery to support employees facing personal challenges affecting their mental health and wellbeing and a Fit For Work program delivered in the aviation business, focusing on degenerative conditions across the employee lifecycle.

Convenience Retail delivered a 54% reduction in TRIFR (from 10.1 to 4.6) and a 50% reduction in DAFWIFR, resulting from an improved and embedded safety culture following the completion of the transition from franchise operations. Strengthening safety culture was a key priority during the year, with leadership-driven safety communications, ongoing safe work practice communication, dedicated projects for re-engineering higher risk tasks and a refreshed core compliance assurance program driving considerable improvements.

Protecting the environment

Several programs were delivered in our Fuels and Infrastructure business in 2021 to improve environmental outcomes and reduce emissions. This included the commencement of a fleet replacement program to replace Ampol's truck fleet with modern, diesel engine technology that is expected to generate an estimated 23% reduction in fleet carbon emissions. Emissions from the use of fuel in our business operations are also being offset through participation in our carbon neutral fuel pilot program. We also introduced our first EV to our fleet to support our Brisbane Depot operations.

1. Total number of occupational injuries per one million hours worked. Occupational injuries include an injury requiring days away from work, restrictions in the work performed or medical treatment.
2. Total number of days away from work per one million hours worked. Days away from work is defined as the number of days a worker is certified by a physician to be unfit to perform normal duties, starting from the day after the incident occurred.
3. Emissions estimates are prepared in accordance with the Australian National Greenhouse and Energy Reporting Determination 2008. This includes emissions and energy consumption at corporate offices, pipelines, depots, diesel stops and marine fuels.
4. A Class 2 or 3 environmental event resulting in 3 months or more remediation effort.
5. Total community investment includes cash donations, funds raised from customers in our retail network, in-kind support (including provision of fuel products), employee contributions, volunteering hours and management fees.
6. Clontarf Foundation: 9,250; Stars Foundation: 2,500; The Smith Family: 480; Ampol Best All Rounder: 2,040.

Sustainability continued

In our Convenience Retail business, a number of initiatives were delivered to improve environmental risk management, including implementing a refreshed Underground Petroleum Storage System (UPSS) risk model, enhancing our Statistical Inventory Reporting Analysis (SIRA) tools and proactive equipment integrity testing, as well as the commencement of a multi-year risk-based UPSS replacement program together with the roll-out of Automatic Tank Gauging (ATG).

Engaging our people

We delivered our second Ampol Culture Survey in 2021, which helps us measure the key drivers of cultural health and how the attributes of employee motivation, positivity and cultural inhibitors change over time. Our 2021 result showed a 9-point improvement on the previous year, from 63% to 72%, and is reflective of action taken to improve our culture.

Diversity and inclusion was a key focus area during the year, with a new executive sponsor appointed to ensure appropriate senior representation on our Diversity and Inclusion Council.

Our employee-led working groups, Women in the Fuels Industry (WIFI) and the Rainbow Alliance, continue to play an important role in driving key diversity initiatives across the business. In 2021, the Rainbow Alliance delivered LGBTQ+ awareness training to the Ampol Leadership Team, rolled out the use of gender pronouns, released an inclusive language guide and collaborated with WIFI to celebrate LGBTQ+ women.

We were proud to release our first Modern Slavery Statement in 2021

The release of our Modern Slavery Statement followed a comprehensive process to understand the risks and opportunities within our supply chain. Pleasingly, our Modern Slavery Statement ranked 19th in Monash University's ASX100 2021 Modern Slavery Disclosure Quality.

Continuous improvement and optimisation of assets

Reducing waste and improving energy efficiency

Identifying cost-effective energy efficiency and optimisation opportunities remains a focus, and in 2021 we developed Energy Management Plans for our Convenience Retail and Fuels and Infrastructure businesses. These outline the approach we will take towards the implementation of energy management measures to meet our public carbon reduction commitments, and include initiatives such as solar PV installation, LED lighting upgrades, power factor correction and behaviour change opportunities across our retail network. We will also be focused on improving efficiency in our Fuels and Infrastructure business through process unit and utility optimisation, furnace optimisation and heat transfer projects at our refinery, as well as solar PV installation, LED lighting and air conditioning upgrades, power factor corrections and other process improvements at our terminals.

Waste reduction is also an area of focus, with new programs put in place during the year to improve resource efficiency, from design through to our operating practices. This has included a range segmentation process to reduce food wastage across our retail network, as well as the commencement of a trial with Oz Harvest to rescue and donate fresh produce items from our Ampol Woolworths Metro stores that would otherwise be wasted.

Contribution to the Australian economy

In 2021, as we continued to revitalise the Ampol brand and commit to communities, we made significant progress with our community investment strategy.

Despite the impact of COVID-19, we increased the total financial contribution to community programs and increased employee volunteering hours and contributions through our workplace giving program, Fuelling Change.

Leveraging our retail network and employees

In 2021, Ampol was proud to leverage its national retail network to make a difference for communities by raising funds for The Smith Family and Surf Life Saving Australia.

Through the passion of front-line employees and the generosity of customers, Ampol raised over \$343,000 for The Smith Family's Winter Appeal, with funds going directly to their *Learning Clubs* program, which provides targeted educational support to Australian children from disadvantaged backgrounds based on their individual needs.

The success of the Winter Appeal was followed by the Donate to Save Lives campaign for Surf Life Saving Australia, delivered in November, with Ampol raising \$145,000 for Surf Life Saving.

Career mentoring and support

In 2021, 24 employees committed more than 190 hours in various career mentoring activities, including careers forums with both Clontarf Foundation and Stars Foundation and one-on-one career mentoring.

Employees also participated in The Smith Family's *iTrack* program, which connects students in Years 9 to 11 to adult mentors who provide advice and help them explore post-school options. Ampol also delivered a *Work Inspiration* session with The Smith Family, where a class of students from Western Sydney were provided insights into Ampol's operations and into the range of potential careers across the organisation.



Part of Ampol's partnership with the National Rugby League as naming rights sponsor of Ampol State of Origin, at each 2021 series game Ampol delivered a unique two-day experience for under 9s boys and girls school rugby league teams.

The experience included an education session with a rugby league star, stadium tour, tickets, jerseys, a half-time game on the field as well as a \$5,000 grant. The Clontarf Foundation also participated in the program by supporting the young teams through coaching and broader event support. A total of \$50,000 in grants were provided to the participating schools in 2021, helping to support grassroots community sport and improve access to sport for young children.



Relaunch of Fuelling Change and employee volunteering

In 2021, we relaunched our workplace giving program, Fuelling Change. Over the past 10 years, more than \$1.3 million has been donated to selected charities through this program.

Over the course of the year, following a relaunch campaign that included the implementation of a new registration platform, engagement with executives and an event at our Lytton refinery, funds contributed to the program increased by 51% on 2020.

Employee volunteering was also a strong focus during the year, with our people committing 404 hours to support both our Foundation partners and other charitable organisations across the country.

Transition to a low carbon future

2022 strategy

In 2021, we reviewed and updated our approach to climate risk following the delivery of our three-year climate risk strategy established in 2019. Our approach moving forward in 2022 will focus on four key areas, including: strategic and business planning to inform decision making; carbon management; policy, disclosures and engagement; and governance.

Enhancing our approach to capital allocation and climate modelling

To support our Future Energy and Decarbonisation strategies, we recognise that we will need to deploy capital over the coming years and, as a result, we have embedded these considerations into our capital allocation framework.

Our investments in future energy will be return seeking, however we expect payback periods to be longer given the uncertain pace and development of the energy transition. We have adopted a phased and risk-managed approach to capital allocation so that we invest in a balance sheet efficient manner. Our approach includes the introduction of a carbon price into the decision-making process and assessing investments under a number of climate scenarios.

In preparing the Future Energy and Decarbonisation strategies, we also engaged consultants to undertake a climate scenario analysis for a better understanding of how we are positioned for different climate futures. We have now brought our climate modelling in house and have prepared the Ampol Integrated Assessment Model. This model focuses on three core climate scenarios (1.5°C, 2°C and -2.6°C trajectories) for how the Australian economy could decarbonise. This modelling will be used to help inform strategic decision making and portfolio optimisation, and to assess the resilience of our portfolio and investment decisions.

Linking climate performance to remuneration

We have strengthened the link between executive remuneration and the delivery of our Future Energy and Decarbonisation strategies. Measures on operational emissions reductions and on products sold to customers now represent 10% of the short-term executive scorecard.

From 2022, the 10% component applied to executive remuneration will be paid with respect to 2025 Scope 1 and 2 emissions targets and abatement projects, as well as Scope 3 emissions intensity reduction goals, including e-mobility, hydrogen and biofuels initiatives.



Ampol is a proud member of the Australian Climate Leaders Coalition

The Australian Climate Leaders Coalition is a group of Australian corporate CEOs that support the Paris Agreement commitments and have set public decarbonisation targets. In 2021, we contributed to and welcomed the release of the Climate Leaders Coalition's "Roadmap to 2030 – Shifting to a Low Carbon Future", a pragmatic guide for business leaders to deliver emissions reductions.

Financial Report

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The 2021 Financial Report for Ampol Limited includes:

- Directors' Report
- Lead Auditor's Independence Declaration
- Directors' Declaration
- Independent Auditor's Report to the Shareholders of Ampol Limited
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Balance Sheet
- Consolidated Statement of Changes in Equity
- Consolidated Cash Flow Statement
- Notes to the Financial Statements for the year ended 31 December 2021

For the purposes of this report, the Group refers to Ampol and its controlled entities.



Directors' Report

The Board

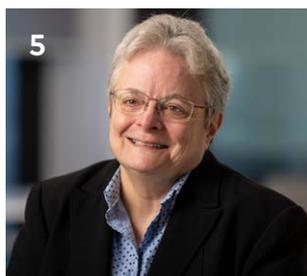
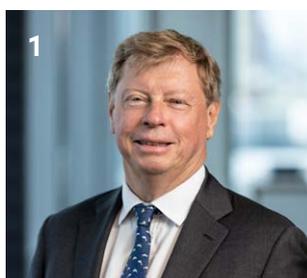
Introduction

The directors of Ampol Limited (Ampol) present the 2021 Directors' Report and the 2021 Financial Report for Ampol and its controlled entities (collectively referred to as the Group) for the year ended 31 December 2021. An Independent Auditor's Report from KPMG, as external auditor, is also provided.

Board of Directors

The Board of Ampol comprises Steven Gregg (Chairman), Matthew Halliday (Managing Director and CEO), Mark Chellew, Melinda Conrad, Elizabeth Donaghey, Michael Ihlein, Gary Smith and Penny Winn.

Barbara Ward AM retired from the Ampol Board as an Independent Non-executive Director, effective 13 May 2021.



1 Steven Gregg

Chairman and Independent Non-executive Director

Date of appointment: 9 October 2015

Board Committees: Nomination Committee (Chairman)

Steven has over 30 years' experience in investment banking and management consulting in Europe and Australia. He brings to the Board extensive executive, corporate finance and strategic experience.

Steven is Chairman of Tabcorp Holdings Limited and a director of Challenger Limited and Challenger Life Company Limited, and William Inglis & Son Limited. He is also the Chairman of Unisson Disability Limited and a trustee of the Australian Museum. He has previously served as Chairman of Goodman Fielder Limited and Austock Group Limited.

Steven has extensive Australian and international experience, with ABN AMRO (as Senior Executive Vice President and Global Head of Investment Banking), Chase Manhattan, Lehman Brothers and AMP Morgan Grenfell. His most recent executive role was as a Partner at McKinsey & Company.

Steven holds a Bachelor of Commerce from the University of New South Wales.

2 Matthew Halliday

Managing Director and CEO

Date of appointment: 29 June 2020

Matthew Halliday was appointed Managing Director and Chief Executive Officer in June 2020. He joined Ampol in April 2019 as Chief Financial Officer.

Prior to joining Ampol, Matthew enjoyed a successful career with Rio Tinto spanning 20 years, where he held senior finance and commercial roles across several divisions and geographies.

Matthew is a Chartered Accountant and holds a Bachelor of Commerce from the University of Western Australia and an MBA from London Business School.

3 Mark Chellew

Independent Non-executive Director

Date of appointment: 2 April 2018

Board Committees: Safety and Sustainability Committee, Human Resources Committee and Nomination Committee

Mark brings to the Board international expertise in industry, strategy, governance and large capital projects with a background in manufacturing, mining and process industries. He is currently Chairman of Cleanaway Waste Management Limited and Chairman of Downer EDI Limited. Mark was formerly Chairman of the industry body Manufacturing Australia and a director of Virgin Australia Holdings Limited and Infigen Energy Limited.

Mark was the Chief Executive Officer and Managing Director of Adelaide Brighton and prior to that, held executive positions at Blue Circle Industries and CSR Limited.

Mark holds a Bachelor of Science (Ceramic Engineering) from the University of New South Wales, a Master of Engineering (Mechanical) from the University of Wollongong and a Graduate Diploma of Management from the University of New South Wales.

Directors' Report continued

The Board continued

4 Melinda Conrad

Independent Non-executive Director

Date of appointment: 1 March 2017

Board Committees: Human Resources Committee (Chairman), Audit Committee and Nomination Committee

Melinda brings to the Board over 25 years' experience in business strategy, marketing, and technology-led transformation, and brings skills and insights as an executive and director from a range of industries, including retail, financial services and healthcare.

Melinda is currently a director of ASX Limited, Stockland Group, Penten Pty Ltd and a director of the Centre for Independent Studies. She is a member of the Australian Institute of Company Directors Corporate Governance Committee and an Advisory Board member of Five V Capital.

Melinda has previously served as a director of OFX Group Limited, The Reject Shop Limited, David Jones Limited, APN News & Media Limited, the Garvan Medical Research Institute Foundation, the George Institute for Global Health and as a member of the ASIC Director Advisory Panel. Melinda held executive roles at Harvard Business School, Colgate-Palmolive, several retail businesses as founder and CEO, and in strategy and marketing advisory.

Melinda holds a BA (Hons) from Wellesley College in Boston, an MBA from Harvard Business School, and is a Fellow of the Australian Institute of Company Directors.

5 Elizabeth (Betsy) Donaghey

Independent Non-executive Director

Date of appointment: 1 September 2021

Board Committees: Human Resources Committee, Safety and Sustainability Committee and Nomination Committee

Betsy brings over 30 years' experience in the energy and oil and gas sectors including technical, commercial and executive roles at EnergyAustralia, Woodside Energy and BHP Petroleum. She is currently a non-executive director of the Australian Energy Market Operator (AEMO) and Cooper Energy Limited.

Betsy's previous experience includes non-executive director roles at Imdex Ltd, an ASX-listed provider of drilling fluids and downhole instrumentation, St Barbara Ltd, a gold explorer and producer, and the Australian Renewable Energy Agency. She has performed extensive committee roles in these appointments, serving on audit and compliance, risk and audit, technical and regulatory, remuneration, and health and safety committees.

Betsy holds a Bachelor of Civil Engineering from Texas A&M University, a Master of Science in Operations Research from the University of Houston and has completed the Harvard Business School Advanced Management Program.

6 Michael Ihlein

Independent Non-executive Director

Date of appointment: 1 June 2020

Board Committees: Audit Committee (Chairman), Human Resources Committee and Nomination Committee

Mike brings to the Board financial expertise and experience as an international executive from a range of industries, including previous roles as CEO and CFO of Brambles Limited and CFO of Coca-Cola Amatil Limited and a director of CSR Limited.

Mike is currently a director of Scentre Group Limited, Inghams Group Limited and the not-for-profit mentoring organisation Kilfinan Australia Ltd.

Mike holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is a fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia.

7 Gary Smith

Independent Non-executive Director

Date of appointment: 1 June 2020

Board Committees: Audit Committee, Safety and Sustainability Committee and Nomination Committee

Gary brings to the Board substantial Australian and international oil industry experience with a career in oil and gas that spans 40 years, including 20 years with Shell and various executive roles within the industry, including General Manager Refining, Supply and Distribution of Ampol Limited (formerly Caltex Australia Limited). Gary is currently employed as a Senior Advisor with Poten & Partners, working with the LNG Commercial team.

Gary holds a Bachelor of Engineering (Mechanical Engineering) and Master of Science (Chemical Engineering and Chemical Technology) from the University of New South Wales.

8 Penny Winn

Independent Non-executive Director

Date of appointment: 1 November 2015

Board Committees: Safety and Sustainability Committee (Chairman), Audit Committee and Nomination Committee

Penny brings to the Board Australian and international strategic, major transformation and business integration, technology, supply chain and retail marketing experience. Penny is currently a director of CSR Limited, The Amphora Group PLC (Accolade Wines) and the ANU Foundation. She has previously served as Chair and a director of Port Waratah Coal Services Limited, director of Coca-Cola Amatil Limited, a director of Goodman Limited and Goodman Funds Management Limited and a director of a Woolworths business, Greengrocer.com, a Myer business, sass & bide, and Quantum Group.

Prior to her appointment to Ampol, Penny was Director, Group Retail Services, with Woolworths Limited. She has over 30 years' experience in retail with senior management roles in Australia and internationally.

Penny holds a Bachelor of Commerce from the Australian National University and a Master of Business Administration from the University of Technology, Sydney and is a graduate of the Australian Institute of Company Directors.

Leadership Team



1 Michael Abbott

Executive General Manager, Governance and Risk

Michael Abbott was appointed Executive General Manager, Governance and Risk in January 2021. He is responsible for risk, audit, legal, secretariat and government affairs.

Prior to joining Ampol, Michael spent 15 years at Woodside Energy, holding a variety of senior roles, including Senior Vice President, Corporate and Legal, where he was responsible for multiple corporate disciplines, including government affairs, emergency management, audit, governance, as well as business climate and economic outlook. Before Woodside, Michael spent 13 years working as a private practice lawyer in Australia and Hong Kong.

Michael holds a Bachelor of Law and Arts and a Master of Business Administration from the University of Western Australia.

2 Greg Barnes

Group Chief Financial Officer

Greg Barnes was appointed Group Chief Financial Officer on 1 July 2021.

Greg has more than 25 years' experience in finance, including as Group Chief Financial Officer for Coca-Cola Amatil, Nine Entertainment Co and CSR Limited. He has also held senior finance roles in the industrial and manufacturing sectors in the Asia Pacific region.

Greg is a qualified Chartered Accountant and holds a Bachelor of Commerce from the University of Newcastle as well as a Master of Business Administration from the Macquarie Graduate School of Management. Greg is also a member of the Australian Institute of Company Directors.

3 Andrew Brewer

Executive General Manager, Fuel Supply Chain

Andrew Brewer was appointed Executive General Manager, Fuel Supply Chain in November 2020. He is responsible for Ampol's Australian and New Zealand manufacturing and distribution assets, supply operations, planning and value chain optimisation functions and the Information Technology business.

He is an experienced senior executive in the energy and resources sector, having held leadership roles for large-scale facilities and integrated supply chains in the minerals processing, resources and energy industries across Australia, New Zealand and Canada. This includes former roles at Ampol, where he was General Manager of the Kurnell refinery, and later Executive General Manager of Supply Chain Operations and Executive General Manager, Transformation.

Andrew returned to Ampol from Refining New Zealand where he held the position of Chief Operating Officer.

Andrew has a Bachelor of Engineering (Honours) and a Bachelor of Science from the University of Adelaide and a Diploma in Management from Deakin University.

Directors' Report continued

Leadership Team continued

4 Meaghan Davis

Executive General Manager, People and Culture

Meaghan Davis was appointed Executive General Manager, People and Culture in November 2021.

Meaghan has more than 25 years' experience in people and culture, and has held a number of senior executive roles at leading Australian companies. Prior to joining Ampol, Meaghan spent seven years at Woolworths Limited before joining Lendlease, where she held senior roles including Head of People and Culture, and Program Director of Lendlease's global transformation program.

Meaghan holds a Masters of Management from the Macquarie Graduate School of Management, and is a member of the Australian Institute of Company Directors and the Australian Human Resources Institute.

5 Brent Merrick

Executive General Manager, International and New Business

Brent Merrick was appointed Executive General Manager, International and New Business in September 2020. Brent is responsible for trading and shipping, international growth and other new business, including building the future energy business to enable low carbon solutions for our customers.

Brent joined Ampol in 2000, with his career at the company spanning a range of roles, including his first job as a process engineer at the Lytton refinery in Queensland. Brent gained commercial and trading experience through roles in the Australian supply and trading teams before being seconded to Chevron Singapore. Brent held the roles of National Sales Manager and Transformation Officer in the marketing business before returning to Singapore as a trader. More recently, he was responsible for expanding Ampol's international operations by establishing offices in Singapore and the United States, which drive the company's global trading and shipping business.

Brent holds a Bachelor of Engineering (Chemical) from the University of Queensland.

6 Alan Stuart-Grant

Executive General Manager, Growth and Development

Alan Stuart-Grant was appointed as Executive General Manager, Growth and Development in November 2017. He manages Ampol's strategy, corporate development, mergers and acquisitions and transformation activities.

Prior to joining Ampol, Alan held a senior position in the oil and gas department of Glencore plc, which followed more than a decade of experience in private equity and investment banking, in Sydney, London and Singapore.

Alan holds a Bachelor of Science (Business Administration) degree from the University of Bath and is also a member of the Australian Institute of Company Directors.

7 Joanne Taylor

Executive General Manager, Consumer and B2B

Joanne Taylor was appointed Executive General Manager, Consumer and B2B in August 2020. She is responsible for Ampol's retail business, B2B sales, brand and marketing, corporate affairs and internal communications.

Joanne, who joined Ampol in 2016, has over 20 years' experience in the retail, QSR, hospitality and manufacturing sectors, and brings significant experience in operations, supply chain and communications to Ampol.

In her role she is focused on transforming Ampol's national network of stores with the revitalisation of the Ampol brand and evolving its retail offer to make life easier every day for millions of Australian consumers and business customers.

Prior to joining Ampol, Joanne spent 11 years at McDonald's Australia in operations, franchise, people and supply chain roles.

Joanne holds a Bachelor of Commerce from the University of New South Wales.

Directors' Report continued

Operating and financial review

The purpose of the operating and financial review (OFR) is to enhance periodic financial reporting and provide shareholders with additional information regarding the Group's operations, financial position, business strategies and prospects. The review complements the Financial Report on pages 81 to 135.

The OFR may contain forward-looking statements. These statements are based solely on the information available at the time of this report, and there can be no certainty of the outcome in relation to the matters to which the statements relate.

Company overview

Ampol is an independent Australian company and the nation's leader in transport fuels.

Ampol Limited (previously Caltex Australia Limited) returned to its iconic Australian name following shareholder approval on 14 May 2020. The national roll-out of the Ampol brand across our retail network has begun, with 880 sites rebranded at 31 December 2021.

We supply the country's largest branded petrol and convenience network, as well as refining, importing and marketing fuels and lubricants. We have a deep history spanning over 120 years, having grown to become the largest transport fuels company and we are also listed on the Australian Securities Exchange (ASX).

Ampol supplies fuel to approximately 80,000 customers in diverse markets across the Australian economy, including defence, mining, transport, marine, agriculture, aviation and other commercial sectors. Across our retail network, we serve approximately three million customers every week with fuel and convenience products.

Our ability to service our broad customer base is supported by our robust supply chain and strategic infrastructure positions across the country, which include 15 terminals, 6 major pipelines, 55 wet depots, 1,881 branded sites (including 684 company-controlled retail sites) and one refinery located in Lytton, Queensland. This network is supported by over 8,300 people across Australia and overseas.

In recent years, we have deployed the capabilities of our Australian business to expand our supply chain and operations into international markets. This includes our Trading and Shipping business that operates out of Singapore and Houston in the USA, and our international storage positions across the Asia-Pacific region. We also have a growing presence in New Zealand as owner of Gull New Zealand, which operates the largest independent import terminal in the country and a growing retail network. Ampol also owns a 20% equity interest in Seoil, a leading independent fuel company in the Philippines.

In May 2021, Ampol released its Future Energy and Decarbonisation Strategies, which sets out our plans to transition our business to future fuels and energy solutions, in line with customer demand and technology availability, and our ambition to achieve net zero emissions across our operations by 2040, including interim targets. As Australia's largest fuels provider, Ampol has an important role to play in reducing our own emissions, as well as the emissions of our customers. Our integrated business generates strong cash flows, compelling returns, diversified earnings and provides a strong foundation to evolve into new areas aligned to the energy transition. We have committed to a minimum \$100 million investment by 2025, to ensure we have the low carbon solutions that will meet the needs of our customers well into the future.

Directors' Report continued

Operating and financial review continued

Group strategy

Ampol's strategy is focused on three elements underpinned by our market leading position in transport fuels, strategic assets, customer positions and supply chain expertise.

Evolving our business to build the foundations for energy transition is one of the three key elements of Ampol's strategy. Ampol's privileged assets, supply chain expertise and deep customer relationships mean we are uniquely placed to be part of the decarbonisation solution by enabling an orderly energy transition and capitalising on opportunities that can deliver sustainable returns for shareholders over the long term.

Our strategy builds on our strengths in fuels

Our strategy focuses on our core business, and establishes a platform to grow and ultimately evolve as energy markets transition

Purpose

Powering better journeys, today and tomorrow

Strategy

Enhance the core business



Bring back Ampol	Bring back an iconic Australian brand and reinvigorate our people and customer connection
Further cost savings	Take further action on costs to mitigate demand impacts and reinforce competitive position
Improve retail network	We have released significant capital, with further potential to improve returns
Restore Fuels and Infrastructure Australia ROCE	Our market leading position provides resilience, but we will take action to further strengthen our infrastructure and focus on capital effectiveness and cost efficiency

Expand from rejuvenated fuels platform



International earnings growth	Leverage our scale and capabilities to accelerate our growth in regional markets
Shop earnings growth	Leverage our strength in retail fuel to capture opportunities from the evolving behaviours and expectations of our customers

Evolve energy offer for our customers



Build foundations for energy transition	Transition with our customers, focusing on a targeted set of energy and decarbonisation themes with clear linkages to our capabilities and assets
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Strengths

Strategic assets and iconic brand

Deep customer base

Supply chain expertise

People and culture

Directors' Report continued

Operating and financial review continued

Foundations for the future

2021 has been a transformational year for Ampol. We have made significant progress on our strategic priorities while managing the impacts of lockdowns related to COVID-19 and major flooding events.

In May 2021, we completed the Lytton refinery review and announced the decision to continue operating, with our eligibility for the Fuel Security Program to maximise shareholder value. Continuing to operate ensures the future of approximately 550 manufacturing jobs and hundreds more indirectly, while supporting the Federal Government's objectives of fuel security and an orderly energy transition.

The rebrand to Ampol is progressing well, providing the opportunity to refresh the sites, improving their overall appearance, and to simplify the retail model to the high-quality *Foodary* and the premium Ampol Woolworths Metro formats. Retail and wholesale customers continue to respond positively to the return of the iconic Ampol brand.

We are on track to achieve our targeted \$195 million EBIT uplift by 2024, with strong growth in our Fuels and Infrastructure International business. In Convenience Retail, we have begun to see the benefits of the accelerated focus on reducing labour costs, waste and shrinkage on shop performance.

On 11 October 2021, we announced the proposed acquisition of Z Energy, New Zealand's leading fuels distribution and retail business. This transaction is subject to the approval of the New Zealand Competition Commission (NZCC) and Overseas Investment Office, including a condition to divest Gull. Regulatory decisions are expected in the first half of 2022. If successful, the combination of Ampol and Z Energy would create the largest fuels distribution and retail network across Australia and New Zealand.

We have maintained our focus on cost and capital discipline, returning over \$479 million to shareholders through a combination of Off-market Buy-back and fully franked dividends. Late in 2021, we also successfully completed another \$500 million subordinated notes issuance to wholesale investors in the domestic fixed income market. These subordinated notes are an effective long-term source of capital, and proceeds of the issue will be used for general corporate purposes in line with Ampol's Capital Allocation Framework, which may include partly funding the acquisition of Z Energy.

<p>Enhance the core business</p> 	<p>Bring back Ampol</p> <p>Maximise Lytton value</p>	<p>880 sites rebranded at end 2021; KPIs for rebranded sites outperforming control sites</p> <p>Reduced earnings downside risk, while retaining full benefit of refiner margin upside</p>
<p>Expand from rejuvenated fuels platform</p> 	<p>Expansion into New Zealand</p> <p>Shop earnings growth</p>	<p>Z Energy Scheme Implementation Agreement signed; to create Trans-Tasman transport fuels leader</p> <p>Delivered \$53 million EBIT uplift by end 2021; on track to achieve \$85m EBIT uplift by 2024</p>
<p>Evolve energy offer for our customers</p> 	<p>Build foundations for energy transition</p>	<p>Future Energy and Decarbonisation Strategies released; establishing team and investing in trials of low carbon solutions</p>

Directors' Report continued

Operating and financial review continued

Ampol results 31 December 2021

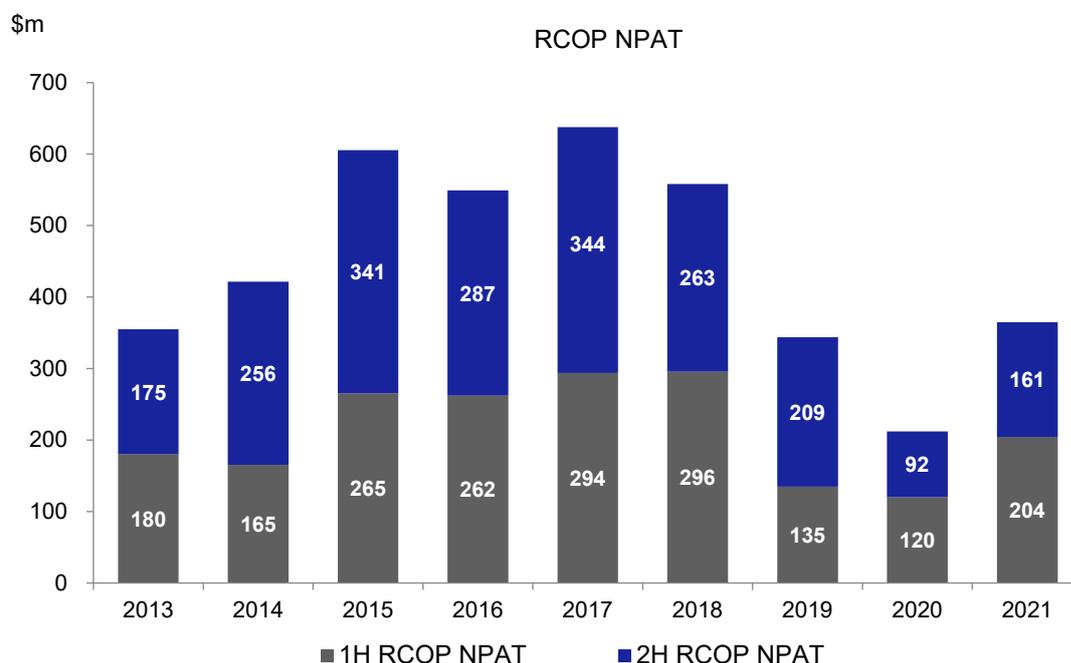
On an historical cost profit basis, Ampol recorded an after-tax profit attributable to equity holders of the parent entity of \$560.0 million, including a significant items loss of \$24.4 million, and a product and crude oil inventory gain of \$219.5 million after tax. This represents a significant improvement in financial performance compared to the 2020 full year after-tax loss of \$484.9 million, which included a significant items loss of \$337.0 million, and a product and crude oil inventory loss of \$359.7 million after tax.

RCOP, excluding significant items (on a pre-tax and post-tax basis), is a non-International Financial Reporting Standards (IFRS) measure and is unaudited. It is derived from the statutory profit adjusted for inventory (gains)/losses, as management believes this presents a clearer picture of Ampol's underlying business performance and is consistent with the basis of reporting commonly used within the global oil industry. RCOP excludes the impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags. Refer to note B4 in the Financial Statements for a reconciliation of Statutory Profit to Replacement Cost basis profit.

A reconciliation of the RCOP result to the statutory HCOP result is set out in the following table:

	2021 \$m (after tax)	2020 \$m (after tax)
Reconciliation of the underlying result to the statutory result		
Net profit/(loss) attributable to equity holders of the parent entity	560.0	(484.9)
Significant items loss	24.4	337.0
Inventory (gain)/loss	(219.5)	359.7
RCOP NPAT (excluding significant items)	364.9	211.8

On an RCOP basis, Ampol recorded an after-tax profit, excluding significant items, of \$364.9 million (2020: \$211.8 million).



Dividend

The Board has declared a final fully-franked dividend of 41 cents per share for the second half of 2021, in line with the Dividend Policy pay-out ratio of 50% to 70% of RCOP NPAT, excluding significant items. Combined with the fully-franked interim dividend of 52 cents per share for the first half, this equates to a total dividend of 93 cents per share for 2021. This compares with a total fully-franked dividend of 48 cents per share for 2020. The payment dates for the final dividend are referenced on page 97.

Directors' Report continued

Operating and financial review continued

Coronavirus (COVID-19)

The COVID-19 pandemic continued to impact the Group's earnings with the emergence of the Delta strain during the full year ending 31 December 2021. Ampol's priority during this time has continued to be the health and safety of our people and customers, and to maintain focus on cost and capital discipline. Despite the prolonged lockdowns of Australia's two key economies of New South Wales and Victoria during the second half, full year earnings were significantly improved compared to 2020.

The performance of the Australian business during the fourth quarter as momentum in key profitability drivers improved, coupled with higher refiner margins, reinforced the responsiveness of Ampol's earnings to more favourable market conditions. This encourages an optimistic outlook as restrictions on mobility ease.

Income statement

For the year ended 31 December	2021 \$m	2020 \$m
1. Total revenue	21,629.9	15,409.1
Other income	53.3	28.0
Share of net profit of entities accounted for using the equity method	11.3	10.7
2. Total expenses⁽ⁱ⁾	(21,063.3)	(15,046.6)
Replacement cost earnings before interest and tax, excluding significant items	631.2	401.2
Finance income	0.4	0.6
Finance expenses	(113.1)	(109.7)
3. Net finance costs	(112.7)	(109.1)
Income tax expense ⁽ⁱⁱ⁾	(116.1)	(75.2)
Non-controlling interest	(37.5)	(5.1)
Replacement cost of sales operating profit (RCOP)	364.9	211.8
4. Significant items loss after tax	(24.4)	(337.0)
5. Inventory gain/(loss) after tax	219.5	(359.7)
Historical cost net profit/(loss) after tax attributable to parent⁽ⁱⁱⁱ⁾	560.0	(484.9)
Non-controlling interest	37.5	5.1
Historical cost net profit/(loss) after tax	597.5	(479.8)
Dividends declared or paid		
Interim dividend per share	52c	25c
Final dividend per share	41c	23c
Earnings/(loss) per share (cents)		
Historical cost basis including significant items – basic	234.2	(194.2)
Historical cost basis including significant items – diluted	233.5	(194.2)
Replacement cost basis excluding significant items – basic	152.6	84.8
Replacement cost basis excluding significant items – diluted	152.1	84.8

(i) Excludes significant item loss of \$24.4 million (2020: \$337.0 million) and inventory gain of \$219.5 million (2020: \$359.7 million inventory loss).

(ii) Excludes tax expense on inventory gain of \$94.0 million (2020: \$154.1 million tax benefit) and tax benefit on significant items loss of \$10.5 million (2020: \$166.9 million).

(iii) Statutory basis financial information is referred to throughout this document as Historical Cost Basis or "HCOP".

Directors' Report continued

Operating and financial review continued

Income statement continued

Discussion and analysis – Income statement

<p>1. Total revenue ▲ 40%</p>	<p>The increase in total revenue was driven by a 9.7% increase in total sales volumes (22.04 BL) compared to 2020 (20.09 BL) reflecting successful execution of the strategy to grow sales in international markets. Australian Dollar product prices were also on average 54% higher than 2020 driven by a higher weighted average Dated Brent crude oil price (2021: US \$71/bbl vs 2020: US\$42/bbl).</p> <p>Other income increased due to the benefit of the Lytton refinery Temporary Refinery Production Payment (TRPP) of \$40.0 million (2020: \$nil) and COVID-19 government wage support of \$0.8 million received from Australian and Singapore government programs (This compares to \$6.8 million received in 2020 from Australian, New Zealand and Singapore government programs).</p>
<p>2. Total expenses – replacement cost basis ▲ 40%</p>	<p>Total expenses increased primarily as a result of higher replacement cost of goods sold, driven by higher crude and product prices.</p> <p>The impact of rising fuel costs was partially offset by \$434.8 million in one-off expenses in 2020, including impairments to the Lytton refinery (\$80.0 million) and Convenience Retail (\$292.2 million).</p>
<p>3. Net finance costs ▲ 3%</p>	<p>Net finance costs increased by \$3.6 million compared with 2020; mainly as a result of incremental interest expense due to the substitution of the bilateral facilities for the hybrid facility in 2020, partially offset by the unwinding of discounting for provision balances.</p>
<p>4. Significant items loss after tax \$24.4 million</p>	<p>The significant item loss before tax of \$34.9 million (2020: \$503.9 million) and after tax of \$24.4 million (2020: \$337.0 million) relates to:</p> <p>Ampol rebranding expense An expense of \$51.3 million (2020: \$65.6 million) has been recognised relating to the rebranding program currently being undertaken to remove Caltex signage and install Ampol branding at the Group's sites. Current period costs include \$42.4 million rebranding costs (2020: \$8.8 million) and \$8.9 million accelerated depreciation (2020: \$10.8 million). In 2020, a provision of \$46.0 million was also recognised in relation to the contractual obligation to undertake rebranding work at sites owned by a third party, to be completed before 31 December 2022.</p> <p>Impairment of non-current assets Total impairment losses of \$31.0 million on non-current assets have been recorded. These impairments relate to information technology assets of \$24.5 million and Convenience Retail site impairments of \$15.5 million, partly offset by a reversal of prior impairments of \$9.0 million relating to sites no longer scheduled for closure. This compares to an impairment of \$413.4 million reported at the end of 2020 for the Lytton refinery cash-generating unit of \$80.0 million, Convenience Retail site cash-generating units of \$292.2 million and other specific assets of \$41.2 million.</p> <p>Transaction costs Preliminary transaction costs of \$7.8 million for the Z Energy acquisition and divestment of Gull New Zealand have been recognised.</p> <p>Kurnell site remediation As the site remediation advances, increased clarity on precise costings resulted in a \$41.9 million provision reduction, determined in the biennial third party review undertaken by Environmental Resources Management Australia Limited (ERM).</p> <p>Other income Other income includes COVID-19 government wage support of \$0.8 million received from Australian and Singapore government programs. This compares to \$6.8 million received in 2020 from Australian, New Zealand and Singapore government programs.</p> <p>Gain on sale On 24 December 2021 a binding agreement was signed to sell the 17.16% interest in Car Next Door Australia Pty Ltd. A profit of \$12.5m, based on expected proceeds of \$16.7m, has been recognised in the current year.</p> <p>Significant items tax benefit Significant items tax benefit of \$10.5 million (2020: \$151.2 million) represents tax at the Australian corporate tax rate of 30%. In 2020, utilisation of previously unrecognised capital losses of \$15.7 million were applied to a capital gain on the sale of a 49% interest in 203 freehold Convenience Retail sites with a Charter Hall and GIC consortium.</p>
<p>5. Inventory gain after tax \$219.5 million</p>	<p>There was an inventory gain of \$219.5 million after tax (\$313.5 million before tax) in 2021. Ampol holds crude and product inventory, the value of which varies due to fluctuations in the product price and foreign exchange movements. The price at which inventory was purchased often varies from the current market prices at the time of sale. This creates an inventory gain or loss at the time of sale.</p>

Directors' Report continued

Operating and financial review continued

Income Statement continued

Discussion and analysis – Income statement	RCOP EBIT breakdown ⁽ⁱ⁾
<p>Fuels and Infrastructure EBIT</p> <p>Fuels and Infrastructure delivered an RCOP EBIT of \$417.6 million, an increase of 170% on the prior year underpinned by a strong operating performance at Lytton and earnings growth in our international business.</p> <p>During the year, safe and reliable operations at the Lytton refinery drove increased production in an improving refiner margin environment. It delivered an RCOP EBIT of \$158.7 million, including the benefit of \$40.0 million from the Federal Government's once-off Temporary Refining Production Payment. This compares with the loss of \$144.8 million incurred during 2020 when the refinery was shut down for the extended T&I due to the impacts of COVID-19.</p> <p>The resumption of production at Lytton displaced additional imported volumes required in FY 2020 during the extended T&I. This was the main contributor to the reduction in RCOP EBIT to \$110.2 million for Fuels and Infrastructure Australia (ex-Lytton). Overall earnings from Fuels and Infrastructure's Australian operations (including Lytton) increased by approximately \$230 million compared with FY 2020.</p> <p>Successful execution of the strategy to diversify and grow international earnings saw Fuels and Infrastructure International's RCOP EBIT grow to a record \$110.9 million, up 31% on the prior year. The Gull business in New Zealand and Trading and Shipping International drove the growth in earnings.</p> <p>The Fuels and Infrastructure result includes \$6.9 million spend to establish the Future Energy team, mostly incurred since launching the Future Energy and Decarbonisation strategies in May 2021, as well as \$44.7 million of foreign exchange gains compared with a \$29.9 million gain in FY 2020.</p> <p>Total Australian sales volumes were 13.05 billion litres in FY 2021, 3.9% lower than the 13.58 billion litres in FY 2020. This reflects the full-year impact of COVID-19 on jet volumes, the impact of rolling lockdowns on Australian retail market demand in the second half, as well as competitor supply chain decisions earlier in the year that adversely impacted net buy/sell volumes. The decline in Australian sales volumes was more than offset by growth in international sales to 8.99 billion litres, with total sales volumes for the Group reaching a record of 22.04 billion litres.</p>	\$417.6m
<p>Convenience Retail EBIT</p> <p>Convenience Retail delivered an RCOP EBIT of \$253.7 million, with COVID-19 impacts affecting most of the second half and offsetting positive trends in first half fuel volumes, shop sales and earnings.</p> <p>For the full year, fuel sales volumes fell 4.9% (3.2% on a like-for-like basis) as prolonged lockdowns in New South Wales and Victoria reduced mobility in the second half. Rapidly rising crude and product prices throughout the year put pressure on fuel margins, particularly diesel margins that take longer to respond but showed improvement towards the end of the year.</p> <p>Pleasingly, in our first full year as the company operated model, we have seen the benefits of the focus on safely reducing costs, waste and shrinkage, with shop gross margin (post waste and shrink) improving by 1.3 percentage points.</p> <p>We continued to optimise the network with the closure of 19 marginal sites and the addition of one new-to-industry site during the year. Combined with divestments and transfers to alternate operators, the company-controlled retail network reduced by 3.4% to 684 sites compared with 708 at the same time last year.</p> <p>The rebrand program is progressing extremely well, with 880 sites completed by the end of 2021 and the rebranded sites outperforming the "control" sites in key measures of total transactions, as well as volume measures including total fuel, premium petrol and AmpolCard. \$51.3 million of rebranding expenses (before tax) have been recognised as a significant item.</p>	\$253.7m
<p>Corporate EBIT</p> <p>Corporate operating expenses of \$40.1 million remained materially in line with the prior year (2020: \$40.6 million).</p>	(\$40.1m)
RCOP EBIT excluding significant items	\$631.2m

(i) The breakdown of RCOP shown here represents a management reporting view of the breakdown and, therefore, individual components may not reconcile to statutory accounts.

Directors' Report continued

Operating and financial review continued

Balance sheet

As at 31 December	2021 \$m	2020 \$m	Change \$m
1. Working capital	906.6	386.9	▲ 519.7
2. Property, plant and equipment	3,564.7	3,467.7	▲ 97.0
3. Intangibles	506.3	558.4	▼ 52.1
4. Interest-bearing liabilities net of cash	(1,697.3)	(1,348.1)	▲ 349.2
5. Other non-current assets and liabilities	66.5	159.8	▼ 93.3
Total equity	3,346.8	3,224.7	▲ 122.1

Discussion and analysis – balance sheet

1. Working capital ▲ \$519.7m	The increase in working capital was primarily driven by higher product and crude prices impacting receivables, inventory and payables.
2. Property, plant and equipment ▲ \$97.0m	The increase in property, plant and equipment is driven by net additions of \$548.5 million, which includes lease right of use assets (\$183.9 million) and capital projects in progress (\$272.1 million). This is partially offset by disposal (\$76.3 million) and depreciation (\$363.9 million).
3. Intangibles ▼ \$52.1m	Intangibles decreased primarily due to amortisation of \$17.1 million, adjustment on application of the IFRS Interpretation on cloud computing arrangements of \$28.2 million, and information technology impairments of \$24.5 million. This is partially offset by additions of \$18.3 million.
4. Interest-bearing liabilities ▲ \$349.2m	Interest-bearing liabilities relate to net borrowings of \$723.7 million (2020: \$433.9 million) and lease liabilities of \$973.6 million (2020: \$914.2 million) at 31 December 2021. The increase in interest-bearing liabilities was primarily due to the \$300.4 million Off-market Buy-back in January 2021. Ampol's gearing at 31 December 2021 was 17.8%, increasing from 11.9% at 31 December 2020. On a lease-adjusted basis, gearing at 31 December 2021 was 33.6%, compared with 29.5% at 31 December 2020.
5. Other non-current assets and liabilities ▼ \$93.3m	Other non-current assets and liabilities decreased primarily due to the decrease in deferred tax assets, which mainly relates to the reduction in deferred tax assets recognised in the 2020 financial period tax loss. This has been fully utilised in 2021.

Directors' Report continued

Operating and financial review continued

Cash flows

For year ended 31 December	2021 \$m	2020 \$m	Change \$m
1. Net operating cash (outflows)/inflows	634.6	267.6	▲ 367.0
2. Net investing cash (outflows)/inflows	(319.2)	462.6	▼ 781.8
3. Net financing cash (outflows)/inflows	(120.9)	(391.8)	▲ 270.9
Net increase in cash held ⁽ⁱ⁾	198.7	332.6	▼ 133.9

(i) Including effect of exchange rates on cash and cash equivalents.

Discussion and analysis – Cash flows

<p>1. Net operating cash inflows ▲ \$367.0m</p>	<p>Net operating cash inflows were higher and primarily driven by improved earnings arising from the increase in sales prices and volumes in 2021 compared to 2020. This resulted in an increase in receipts from customers (\$5,375.9 million), offset partially by an increase in payments to suppliers (\$5,020.4 million).</p>
<p>2. Net investing cash inflows ▼ \$781.8m</p>	<p>Investing cash flows represent capital expenditure for property, plant and equipment, Lytton T&I, and purchase of intangibles. The decrease is primarily due to the reduction in major cyclical maintenance at the Lytton refinery (\$30.4 million) offset partially by an increase in capital expenditure on property, plant and equipment (\$132.6 million).</p> <p>2020 includes the benefit from the net proceeds from the sale of a 49% interest in 203 freehold convenience retail sites and the gain on sale of the investment in joint operations.</p>
<p>3. Net financing cash outflows ▲ \$270.9m</p>	<p>Financing cash flows primarily include a net proceed of borrowings (\$500.0 million), offset with dividend payment (\$178.7 million), repayment of lease principal (\$106.3 million) and a \$300.4 million Off-market Buy-back purchase which was completed in January 2021.</p>

Capital expenditure

Capital expenditure totalled \$324.2 million, including T&I spend at the Lytton refinery of \$25.8 million and \$76.8 million relating to the rebranding program.

Directors' Report continued

Operating and financial review continued

Business outlook and prospects for future financial years

This section includes information on Ampol's future financial prospects. Given the significant influence of external factors – such as market competitiveness, economic conditions, including ongoing impacts from COVID-19, exchange rates and regional refiner margins – the discussion of our financial prospects is general in nature.

To the extent that there are statements which contain forward-looking elements, they are based on Ampol's current expectation, estimates and projections. Such statements are not statements of fact, and there can be no certainty about outcomes in the areas that these statements relate to. Ampol does not make any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements

Market conditions and outlook

The emergence of the Omicron variant of COVID-19 has had an impact on recent trading in FY 2022. Nonetheless, the improved momentum demonstrated in the fourth quarter of FY 2021, coupled with higher refiner margins, reinforced the responsiveness of Ampol's earnings to more favourable market conditions. This provides cause for optimism for FY 2022 as mobility increases.

Ampol is well positioned to benefit from the expected recovery in Australian fuel demand. We welcome the announcement by the Federal Government on the opening of international borders to inbound tourists, although jet demand is still likely to take several years to recover to pre-COVID levels.

Global refining fundamentals have improved through increasing demand for refined products and the structural declines in capacity caused by refinery closures. The Lytton refinery is well positioned to benefit from expansion in refiner margins, with reduced earnings downside through the Fuel Security Services Payment, should the Government Margin Marker fall below a certain level.

Assuming market conditions improve, we anticipate growth in Convenience Retail earnings from both fuel and shop through our market-leading convenience offer and shop formats, the ongoing focus on costs, waste and shrink combined with the benefit of increasing demand over a largely fixed cost operating model.

We have made good progress on the steps to complete the acquisition of Z Energy and remain on track to complete the transaction in the first half of 2022, with earnings and cash flow contributing to the Group's earnings in the second half, subject to regulatory and Z Energy shareholder approvals.

Key strategic priorities

We will continue to execute our business strategy in 2022 with a core focus on creating value for shareholders. We have a clear set of priorities with an emphasis on delivering improved returns across the integrated business through improved cost and capital efficiency as part of the Enhance pillar of our strategy.

The rebrand to Ampol is well progressed and is exceeding expectations, with rebranded stores performing ahead of the control sites. Our focus for 2022 will be on completing the rebrand of the network and embedding the successful relaunch of the Ampol brand. This includes evolving the brand through the energy transition into EV charging and decarbonisation products.

For the Expand pillar, a key priority will be the successful completion of the Z Energy transaction, divestment of Gull and to deliver the synergies in line with the integration plan.

We have made good progress to date on our targeted \$195 million EBIT uplift by 2024 and will be progressing key initiatives in our Fuels and Infrastructure International strategy and in Convenience Retail to move closer to achievement of the target.

Since launching our Future Energy and Decarbonisation strategies in 2021, our thinking has further developed with clear priorities for 2022 along two key themes of electrification of mobility and the deepening of our understanding of the hydrogen supply chain. Key initiatives include progressing the roll-out of the EV fast-charging network, piloting a retail electricity offer and progressing a small-scale hydrogen production pilot.

Decarbonising our operations to meet our 2025 intermediate targets will also be a priority with the roll-out of plans to reduce our carbon footprint through a number of projects (including solar) in Fuels and Infrastructure and Convenience Retail during 2022.

Directors' Report continued

Risk management

There are a number of material risks that have the potential to impact Ampol achieving its financial goals and business strategy.

The Ampol Risk Management Framework (ARMF) has been developed to proactively and systematically identify, assess and address events that could impact business objectives. The ARMF integrates the consideration of risk into the Company's activities so that: risks in relation to the effective delivery of the Company's business strategy are identified; control measures are evaluated; and where potential improvements in controls are identified, improvement plans are scheduled and implemented.

The Board reviews the ARMF with management on an annual basis to ensure that it remains sound.

Risks identified through the ARMF are also assessed on a regular basis by management, and material risks are regularly reported to the Board and its committees. These reports include performance against the Board-approved risk appetite and the status and effectiveness of control measures for each material risk. The Board, the Audit Committee, the Safety and Sustainability Committee and the Human Resources Committee each receive reports on material risks relevant to their responsibilities, as follows.

- Board: customer and competitors, business transformation, business interruption and regulatory and compliance.
- Audit Committee: cyber and information security, capital management and allocation, liquidity, financial markets, fraud and ethical misconduct.
- Safety and Sustainability Committee: climate change, process safety, personal safety, health and wellbeing, environment, product quality – fuels and lubricants and product quality – food.
- Human Resources Committee: organisational capability.

Following is a table outlining our material risks, along with a description of each risk and an outline of the mitigation strategies that are in place. In this table, we have not included information that could result in unreasonable prejudice to Ampol, including information that is confidential, commercially sensitive or that could give a third party a commercial advantage.

Ampol's approach to risk management is also outlined in our Corporate Governance Statement, which is available on our website.

Material risk	Description	Monitor and manage
 Strategic and commercial risks		
1. Customer and competitors	<p>The transport fuels and convenience retail landscapes are continually evolving. Ampol needs to be able to transform along with this landscape to seize opportunities and ensure the ongoing viability and success of the business.</p> <p>Changes in customer demand, technology and products have the potential to materially impact Ampol's earnings. Ampol must respond and adapt to these changes by optimising current earnings streams and creating new earnings streams in both domestic and international markets in order to support the growth of Ampol and deliver value to customers, the community and shareholders.</p>	<p>Ampol's strategic decision-making framework ensures that strategies are in place to manage competitive risks that sustain and improve value accretion.</p> <p>These strategies include:</p> <ul style="list-style-type: none"> • enhancing the core business through relentless focus on cost efficiency, capital effectiveness and customer delivery; • delivering earnings growth in International and Convenience Retail; and • building foundations for the energy transition, leveraging the strength of our assets, customer positions and capabilities.
2. Business transformation	<p>Risks associated with the transition to a low carbon economy have the potential to impact Ampol's socio-political and regulatory environment, earnings and growth opportunities, and brand and reputation. Ampol must balance the needs of the current economy, our customers and shareholders, while demonstrating active integration of climate-associated risk into strategic and financial planning processes to inform its investment decisions.</p> <p>In parallel, Ampol actively assesses and models the physical impact of climate change on the business and manages the energy intensity of our operations to limit carbon emissions.</p>	<p>The Board oversees Ampol's sustainability approach, with the Board's Safety and Sustainability Committee assisting with governance and monitoring as reflected in the Committee's Charter.</p> <p>Ampol focuses on building resilience to the transitional and physical risks posed by climate change, including undertaking scenario analysis, helping our customers respond to climate change, reducing the carbon intensity of our operations, undertaking external engagement and advocacy, and improving transparency and reporting.</p> <p>Ampol supports the recommendations of the Task Force on Climate-related Financial Disclosures. For further information on how Ampol is managing climate-related risk, refer to the Future Energy and Decarbonisation Strategy and 2021 Sustainability Report available on the Ampol website.</p>
3. Climate change		

Directors' Report continued

Risk management continued

4. Cyber and information security	As a leading transport fuels provider and convenience retailer, Ampol (like many businesses) faces an ever-evolving cyber security threat. Ampol must be able to detect, prevent and respond to these threats by maintaining a high standard of information and cyber security controls.	Ampol's information technology (IT) and systems are subject to regular review and maintenance, and business continuity plans are in place. Ampol actively monitors and responds to potential local and global IT security threats.
5. Organisational capability	Successful execution of Ampol's strategy and business objectives is driven by the capability and talent of our people. A lack of organisational capability can negatively impact Ampol's ability to maximise returns.	Ampol aims to be an employer of choice. It has in place and actively manages retention and attraction of critical capabilities, its employee agreements, and it monitors employee engagement and the external labour markets.



Operational risks

6. Process safety	The manufacturing and transportation of transport fuels and the operation of Ampol's retail network gives rise to an inherent risk to the health and safety of our employees, contractors, the public and the environment in which we operate. Ampol invests the necessary capital and resources to reduce these risks so far as is reasonably practicable.	<p>To manage these risks, Ampol has in place:</p> <ul style="list-style-type: none"> • an integrated management system for managing safety, health and environment; and • a comprehensive risk management framework which actively manages and mitigates these risks from the corporate level through to the local site operating level and involves active engagement from senior management. <p>Ampol also mitigates certain major risk exposures through its comprehensive corporate insurance program, which provides cover for damage to facilities and associated business interruption as well as product liability.</p> <p>For more on environmental management and performance, refer to the Ampol Sustainability Report.</p>
7. Personal safety, health and wellbeing		
8. Environmental		
9. Product quality – fuels and lubricants	An inability to produce and supply high-quality, fit-for-purpose fuel and lubricant products that meet our customers' needs, conform to specifications and satisfy our contractual and regulatory requirements, has the potential to put our customers at risk. In turn, this may damage Ampol's brand, reputation and impact earnings.	Ampol has designed and implemented robust quality control measures throughout the supply chain to ensure both fuel and food products are safe, and to protect our brand and reputation.
10. Product quality – food	Similarly, in the convenience retail environment, Ampol aims to produce and supply quality, fit-for-purpose food products that meet customer needs, conform to specifications, and satisfy our contractual and regulatory requirements.	
11. Business interruption	<p>Business interruptions may arise from several circumstances, including:</p> <ul style="list-style-type: none"> • operational difficulties throughout the supply chain, such as extended industrial disputes or manufacturing interruptions; • loss of externally-supplied utilities; • pandemics; • security breaches affecting operational systems; and • natural disasters, such as bushfires and floods. <p>Any of these events could result in a significant interruption to operations leading to commercial loss.</p>	<p>Almost all operational risks are potential sources of business interruption.</p> <p>Ampol manages these risks through the framework and governance structures described in this report, including those focused on security and resilience. It also mitigates certain major risk exposures through its comprehensive corporate insurance program, which provides cover for damage to facilities and associated business interruption as well as product liability.</p>

Directors' Report continued

Risk management continued



Financial risks

12. Capital management and allocation	<p>An inability to successfully manage and allocate capital erodes Ampol's profitability, cash flows, growth aspirations, investor confidence, licence to operate and relationships with key stakeholders.</p>	<p>Ampol governs capital allocation in accordance with a well-defined capital allocation framework that is underpinned by operational and capital efficiency and ensures a strong return on capital employed (ROCE) across all parts of the portfolio. An Investment Committee supports this framework and is comprised of senior leaders with the necessary governance and processes to successfully prioritise and execute its capital investments and manage capital allocation.</p>
13. Liquidity	<p>Inadequate access to liquidity may limit Ampol's ability to raise funds to meet the forecast requirements of the business, for planned expenditure or to seize emerging opportunities. A weak balance sheet also limits Ampol's ability to withstand material levels of liquidity-related stress from other material risk events and/or a major economic downturn.</p>	<p>Ampol seeks to prudently manage liquidity risk by maintaining a capital structure that is consistent with its capital allocation framework, supports its activities and centrally monitors cash flow forecasts, including the degree of access to debt and equity markets.</p> <p>A key element of its funding strategy is the use of committed undrawn debt facilities, with an extended facility maturity profile.</p>
14. Financial markets	<p>Commodity prices, refiner margin (RM) and other associated markets driven by supply and demand for Ampol's products may vary outside of expectations from time to time. Foreign exchange rate variations can offset or exacerbate this risk.</p>	<p>Ampol balances its exposure to financial market risk in accordance with the Board-approved Group Treasury Policy. The policy sets a range of quantitative and volumetric limits to reduce the inherent risk to levels within the desired risk appetite threshold.</p> <p>Ampol regularly monitors financial market exposures and reports this as part of its updates to senior management and the Board.</p>



Social, compliance and conduct risks

15. Regulatory and compliance	<p>Ampol is exposed to a wide range of economic and regulatory environments since its operations are located across several jurisdictions.</p>	<p>Ampol applies strict operating standards, policies, procedures and training to ensure that it remains in compliance with its various permits, licences, approvals and authorities.</p>
16. Fraud or ethical misconduct	<p>Ampol's brand, reputation and licence to operate can be negatively impacted through actual or perceived breaches of law, and/or behaviours and actions that are inconsistent with the Ampol's values or breach its Code of Conduct.</p>	<p>In addition, Ampol proactively manages regulatory risks through a combination of vigilance regarding current regulations, contact with relevant bodies/agencies and working in partnership with various stakeholders to reduce the likelihood of significant incidents that could impact Ampol and/ or the communities in which it operates.</p> <p>Ampol engages with regulatory bodies and industry associations to keep abreast of changes to laws. It has a stakeholder engagement plan that is actively managed to mitigate the impact of major policy changes.</p>

Directors' Report continued

Events subsequent to the end of the year

Dividend

On 21 February 2022, the Directors declared a fully franked final dividend of 41 cents per share, representing a payout ratio of 61% of the second half 2021 RCOP NPAT. As a result, a full year dividend of 93 cents per share is up 94% on 2020 (48 cents per share).

COVID-19

The emergence of the Omicron variant of COVID-19 has impacted recent trading and the situation continues to evolve. The Group continues to monitor and review the safeguarding and health of its people and customers, business continuity and cashflow. Nonetheless, the improved momentum in key profitability drivers in the fourth quarter of 2021, coupled with higher refiner margins, reinforced the responsiveness of the Group's earnings to more favourable market conditions.

Other

There were no other items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group that have arisen in the period from 31 December 2021 to the date of this report.

Environmental regulations

Ampol is committed to complying with the relevant laws, regulations and standards of the jurisdictions in which we operate, as well as to minimising the impact of our operations on the environment. The Board's Safety and Sustainability Committee addresses the appropriateness of Ampol's occupational health, safety and environmental practices to manage material health, safety and environmental risks, so that these risks are managed in the best interests of Ampol and its stakeholders.

Ampol sets key performance indicators to measure environmental, health and safety performance and drive improvements against targets. In addition to review by the Board, progress against these performance measures is monitored regularly by the Managing Director and CEO and executive general managers.

Risks are examined and communicated through the Ampol Risk Management Framework, which includes environmental risks. Under the framework, risks and controls are assessed and improvements are identified, with regular reports being made to management and the Board.

The Ampol Operational Excellence Management System (OEMS) is designed to ensure that, as far as reasonably practicable, operations are carried out in an environmentally sound, safe, secure, reliable and efficient manner. OEMS operating standards and procedures support the Ampol Environment Policy and the Ampol Health and Safety Policy.

Ampol meets reporting requirements under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations. Ampol also continues to disclose information on emissions under the National Pollutant Inventory. Ampol continues to remain a signatory to the Australian Packaging Covenant.

Compliance with environmental regulations

For the year ended 31 December 2021, regulators were notified of a total of seven environmental reportable non-compliances. For the period, the group received five formal notices from environmental agencies; four of these notices related to legacy contamination. Remediation action has been taken in relation to the incidents and notices. The Company received no fines during the period. All incidents were investigated, and lessons captured and shared as appropriate across the Group.

In June 2021, Ampol formally entered an Enforceable Undertaking (EU) with the ACT environmental regulator. Ampol was ordered to pay \$200,000 to environmental groups as a result of the release of an estimated 79,900 litres of ULP gasoline from an underground petroleum storage tank at the Kippax Holt franchisee-operated site between 18 December 2019 and 14 February 2020.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 75 and forms part of the Directors' Report for the financial year ended 31 December 2021.

Remuneration Report

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Message from the Chair of the Human Resources Committee

1. Overview of Key Management Personnel
2. Ampol's remuneration philosophy and framework
3. 2021 Senior Executive remuneration outcomes
4. Remuneration governance
5. Senior Executive remuneration in detail
6. Outlook for 2022
7. Senior Executive remuneration tables
8. Non-executive Director remuneration
9. Appendix: Consideration of the government fuel security package

The Directors of Ampol Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (Corporations Act) for the Ampol Group for the year ended 31 December 2021.

The Remuneration Report provides information about the executive remuneration framework and remuneration outcomes for Key Management Personnel (KMP). KMP comprises: Non-executive Directors (NED); and the Managing Director and Chief Executive Officer (MD & CEO) and select direct reports to the MD & CEO (collectively, Senior Executives).

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act, apart from where it is indicated that the information is unaudited.

Directors' Report continued

Message from the Chair of the Human Resources Committee

On behalf of the Board, I am pleased to present Ampol's Remuneration Report for the year ended 31 December 2021.

Against a backdrop of continued COVID-19 impacts, we have delivered a strong result and made significant progress against our strategic priorities.

I would like to acknowledge the hard work and commitment of our people who have demonstrated tremendous resilience during yet another challenging year. Their outstanding delivery combined with an unwavering commitment to our purpose and values has laid the foundations for our ongoing transformation.

Our integrated value chain has delivered strong earnings and returns for shareholders.

- Ampol delivered our highest RCOP NPAT since FY 2018. This RCOP NPAT of \$365 million represents a stretch outcome and is \$153 million above 2020.
- We returned \$479 million to shareholders during 2021 including a \$300 million off-market buy-back completed in January.
- The Company increased our total dividend from 48 cents per share to 93 cents per share (including the 52 cents per share interim dividend in 1H 2021).

We have enhanced our core business and evolved our business to ensure we are positioned to partner with our customers in energy transition.

We enhanced the core business through our Ampol rebrand and improved returns from Fuels and Infrastructure:

- The rebrand is on track for completion ahead of schedule. We increased the value of the Convenience Retail portfolio through the announcement of a new property trust with 20 freehold convenience sites. We closed 19 unprofitable sites, progressed the redevelopment of four highway sites and added one new to industry (NTI) site in growth corridors.
- After an extensive review, we determined that continued refining operations at Lytton with the proposed Federal Government Fuel Security Package (Security Package) would enhance shareholder value, while retaining the optionality to transition the strategically-located site to alternative uses in the future.

The decision to continue operations at Lytton combined with the Security Package significantly reduces earnings volatility and downside risk while retaining full benefit to earnings upside.

The Security Package gave Ampol further confidence to increase its target leverage under the Capital Allocation Framework. This enabled Ampol to significantly increase its debt capacity which will assist in the acquisition of Z Energy. It also ensured the future of approximately 550 manufacturing jobs and hundreds more indirectly.

- We improved returns for Fuels and Infrastructure Australia (including Lytton) through a \$263 million increase in RCOP EBIT compared to 2020, resulting in a 9 percentage point increase in ROCE to 11%.

We expanded earnings growth through our International business and Convenience Retail shop earnings:

- The strategy to grow international earnings through our supply chain expertise saw a 38% increase in international sales volumes. Fuels and Infrastructure International delivered a \$39 million uplift in EBIT in 2021, on track to achieve the targeted \$70 million uplift by 2024.
- Pleasingly, in our first full year as a company-operated model in our retail business, we have begun to see the benefits of the accelerated focus on reducing labour costs, waste and shrinkage. Convenience Retail delivered a \$53 million EBIT uplift in 2021, on track to achieve the targeted \$85 million EBIT uplift by 2024.
- We are well progressed in the Z Energy acquisition, which in addition to supporting our International growth strategy, also supports our Future Energy and Decarbonisation ambitions. The scale of a combined entity provides an even greater opportunity for energy transition in the region with both Ampol and Z Energy making great progress in meeting the evolving energy needs of its customers.

We have evolved our business and taken significant steps to enable an orderly energy transition to support the changing needs of customers:

- The launch of our Future Energy and Decarbonisation strategies, including our ambition of achieving net zero scope 1 and 2 emissions from operations by 2040, provides a clear framework to meet our operational decarbonisation targets.
- The decision to continue operating at Lytton provides a platform for future energy technology and capability growth.
- We are investing in future energy solutions for our customers with a commitment to spend a minimum of \$100 million on future energy and decarbonisation projects by 2025. In 2021 the following four test and learn partnerships have been implemented:
 - partnership with Endua for microgeneration and storage of hydrogen at remote sites,
 - launched a green hydrogen production trial with Fusion Energy Green Fuels at our Lytton refinery,
 - in collaboration with Tesla, commissioned a virtual power plant (VPP) pilot at three sites in South Australia, and
 - securing ARENA funding to install electric vehicle (EV) fast chargers at 121 sites across Australia.

Directors' Report continued

Message from the Chair of the Human Resources Committee continued

Delivering value for our people, customers and communities is considered part of our holistic and strong performance in 2021.

We provide a safe place to work with employees who are highly motivated by our strategy and growth prospects:

- Effective COVID-19 controls made for a safe environment for our customers and employees.
- The dedication and commitment of our people was exemplified through another strong personal safety outcome which continues to position us in the top-quartile against industry peers.
- While there were no Tier 1 process safety incidents (which has been the case since 2018), high workforce turnover at third-party carriers has seen an increase in the number of spills above historical average. A comprehensive response plan is being implemented resulting in improved performance in the second half of the year. Threshold performance for process safety however was not met for 2021, resulting in a zero short-term incentive (STI) outcome for this scorecard component.
- People and culture are a key part of Ampol's five-year strategy. With a 78% participation rate in our 2021 culture survey, overall cultural health increased by 9 percentage points to 72% driven by an increase in employee motivation and positivity. In 2022 we will continue to focus on making Ampol an even better place to work.

Our customers continue to respond positively to the return of the iconic Ampol brand:

- The rebrand program is progressing well with 880 sites completed at the end of 2021.
- In addition to the rebrand, we continue to optimise our retail network by simplifying the retail models to the high quality Foodary and premium Ampol Woolworths Metro offering. In 2021, we completed a further roll-out of 20 new Ampol Woolworths Metro stores, taking the total to 26.
- The second Ampol customer summit was launched engaging B2B customers, including distributors, with a focus on energy for "today and tomorrow".

We have made significant progress in supporting the community through the Ampol Foundation, including:

- Delivering our first full year of partnership with The Smith Family and Surf Life Saving Australia, including raising over \$340,000 for The Smith Family and \$145,000 for Surf Life Saving Australia, through our retail network, the first time we have fundraised in this way.
- Relaunching the Ampol Best All Rounder Award program, with 2,040 school registrations.
- Relaunching our Fuelling Change workplace giving program, increasing funds contributed by 51% and increasing the number of employees participating.
- Contributing a total of \$3.2 million to our communities through the Ampol Foundation in 2021.

2021 Remuneration Outcomes

The Board takes a holistic approach in assessing a range of quantitative and qualitative factors when evaluating the performance of Ampol and its Senior Executives. The approach taken includes oversight and judgement across:

- performance against a range of financial and non-financial performance objectives which cover both Company and business area strategic priorities;
- delivery within the Board-approved risk appetite;
- performance, contributions, and outcomes through the lens of our shareholders, customers, employees and communities;
- ability to attract and retain best-fit capability to drive sustainable value; and
- adherence to our stated values, and code of conduct.

For 2021, the Board-approved an average 132% scorecard outcome for Senior Executives, between target and stretch. We believe that the resulting STI outcome at an average 88% of maximum opportunity across Senior Executives, appropriately balances all competing expectations and reflects the strong performance in 2021.

After robust consideration of all the relevant factors, the strong performance in 2021 sees the first STI payable to Senior Executives after two years of nil STI.

The Board's assessment of 2021 performance included a review of Significant Items. Through this review it was determined that \$10.4 million (after tax) of IT impairments would be included in the RCOP NPAT result for the purpose of determining remuneration outcomes in 2021. This moved the RCOP NPAT result for remuneration purposes from \$365 million to \$355 million.

The assessment of the \$355 million RCOP NPAT outcome includes \$28 million (after tax) received through the Security Package Temporary Refinery Production Payment (TRPP). We have developed a set of principles which have helped the Board in making their final assessment of the Security Package. Section 9 of this report provides further information on this assessment.

Consistent with 2020, the 2021 RCOP NPAT result excludes JobKeeper and other wage subsidies, totalling \$0.8 million.

Directors' Report continued

Message from the Chair of the Human Resources Committee continued

2021 Remuneration Outcomes continued

As a result of remuneration framework changes introduced in 2021, STI outcomes will have 40% and 25% deferred for two years as restricted shares for the MD & CEO and other Senior Executives, respectively.

The 2018 long-term incentive (LTI) award vested in April 2021 at 6.66%, as per disclosure in our 2020 remuneration report.

13.33% of the 2019 LTI will vest in April 2022, following performance testing over the three-year period to 31 December 2021.

There were no changes to permanent fixed remuneration for Senior Executives in 2021 and there were also no changes to Non-executive Director (NED) fees in 2021.

Looking Beyond 2021

At Ampol, we are committed to making sustainability an integral part of our culture and strategy to deliver long-term value for our shareholders, customers and the community. Our approach involves making sustainability core to decision-making at all levels in our business and in a way that balances environmental, social and governance aspects with broader strategic objectives.

As Australia's largest transport fuels provider, Ampol is committed to being an organisation that reduces its operational carbon footprint as well as finding and developing new energy solutions that can meet our customers' needs as they evolve. These dual objectives are intrinsic to our strategy and longevity through delivering sustained value to our stakeholders. Therefore, commencing from 2022, we are further strengthening the way ESG measures influence our performance by introducing climate measures which will focus on decarbonisation across Scope 1, 2 and 3 emissions by measuring progress against annual climate performance. Climate measures will form a tangible component in determining STI outcomes. Senior Executives will have 10% of their target STI based upon climate measures. Section 6 of this report provides further information on this change.

There are no other remuneration framework changes anticipated for 2022.

On behalf of the Board, I would like to thank you for your continued interest in Ampol. We trust that this overview, and the accompanying detail in the Remuneration Report are helpful when forming your views on Ampol's Senior Executive and NED remuneration arrangements – we look forward to your feedback.



Melinda Conrad

Chair, Human Resources Committee

Directors' Report continued

Remuneration Report

1. Overview of Key Management Personnel

This Remuneration Report is focused on the KMP of Ampol, being those persons with authority and responsibility for planning, directing and controlling the activities of Ampol.

Unless otherwise indicated, the KMP were classified as KMP for the entire financial year.

Current Non-executive Directors

Steven Gregg	Chairman and Independent, Non-executive Director
Mark Chellew	Independent, Non-executive Director
Melinda Conrad	Independent, Non-executive Director
Elizabeth Donaghey ⁽ⁱ⁾	Independent, Non-executive Director
Michael Ihlein	Independent, Non-executive Director
Gary Smith	Independent, Non-executive Director
Penny Winn	Independent, Non-executive Director

Former Non-executive Directors

Barbara Ward AM ⁽ⁱⁱ⁾	Independent, Non-executive Director
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Current Senior Executives

Matthew Halliday	Managing Director and Chief Executive Officer
Greg Barnes ⁽ⁱⁱⁱ⁾	Group Chief Financial Officer
Andrew Brewer	Executive General Manager, Fuel Supply Chain
Brent Merrick	Executive General Manager, International and New Business
Joanne Taylor ^(iv)	Executive General Manager, Consumer and B2B

Former Senior Executives

Jeff Etherington ^(v)	Interim Chief Financial Officer
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(i) Ms Donaghey was appointed to the Board as an Independent, Non-executive Director effective 1 September 2021.

(ii) Ms Ward AM retired from the Board as an Independent, Non-executive Director effective 13 May 2021.

(iii) Mr Barnes was appointed Group Chief Financial Officer effective 1 July 2021.

(iv) Ms Taylor was a Senior Executive for the full 2021 performance period. Ms Taylor resigned from Ampol on 14 February 2022.

(v) Mr Etherington remains employed with Ampol but ceased in the KMP role of Interim Chief Financial Officer effective 30 June 2021.

Changes for Key Management Personnel

Leading from our refreshed strategy, this year we made changes to KMP role accountabilities. These changes enable us to better adapt to the changing needs of our customers, and to ensure our future energy and international growth ambitions have appropriate focus. The key changes are:

- *Brent Merrick, Executive General Manager, International and New Business*: Responsible for new business at Ampol, including driving our future energy, decarbonisation, and sustainability strategies. Brent is also responsible for digital strategy and leading Ampol's Trading and Shipping business.
- *Joanne Taylor, Executive General Manager Consumer and B2B*: Responsible for driving commercial value from the full spectrum of customer relationships (B2B and B2C customers), including an integrated view of the Ampol branded network. Joanne is also responsible for Brand, Internal Communications and Corporate Affairs.
- *Andrew Brewer, Executive General Manager, Fuel Supply Chain*: Responsible for driving integrated value and optimisation across our fuel supply chain including our Lytton refinery and portfolio of infrastructure assets. Andrew will also continue to have accountability for our Information Technology team.

The changes in accountability were factored into our annual independent remuneration benchmarking process and led to fixed pay changes for Mr Brewer and Mr Merrick, which will commence in 2022. These fixed pay changes are outlined in more detail in section 6 of this report.

Directors' Report continued Remuneration Report continued

2. Ampol's remuneration philosophy and framework

Our remuneration philosophy and framework are designed to support Ampol's strategy to sustainably deliver value and growth for our owners, people and customers.

Purpose

Powering better journeys, today and tomorrow

Strategy

Sustainably deliver value and growth for our owners, people and customers

Strategic focus areas



Enhance
the core business



Expand
from rejuvenated
fuels platform



Evolve
energy offer for
our customers

Remuneration Principles



Alignment with
shareholders'
interests



Performance
focused and
differentiated



Market
competitive



Fair and
Equitable

	Purpose	Performance	Delivery
Fixed Remuneration	To attract and retain the best capability to deliver the Ampol strategy.	Independent benchmarking to ensure competitive positioning against two Board-approved ASX listed peer groups focused on where we compete for capital and talent and our market capitalisation.	Base salary, un-capped statutory superannuation and other benefits.
Short-term Incentive	Reward the achievement of annual targets aligned with sustainably delivering value and growth.	A combination of financial (RCOP NPAT) and non-financial measures (safety, brand, capability and culture) as well as execution of business strategic priorities.	A mix of cash and deferred restricted shares.
Long-term Incentive	Align Senior Executive remuneration with long-term shareholder experience.	An equal combination of relative Total Shareholder Return compared against the ASX 100 and Return on Capital to incentivise strong and sustained shareholder returns.	Performance rights for nil consideration as a right to receive a fully paid ordinary share following a three year performance period. Trading is restricted for an additional one year post any vesting. There is also a minimum shareholding requirement for Senior Executives over a five year period.

Minimum requirement to demonstrate Ampol's stated values and appropriate conduct.

Board oversight considering of the holistic quality of delivery including risk management, capital management and performance, contributions, and outcomes through the lens of our Shareholders, Customers, Employees and Communities.

Directors' Report continued

Remuneration Report continued

2. Ampol's remuneration philosophy and framework continued

Remuneration structure

Ampol's Senior Executive remuneration framework delivers total remuneration outcomes over a four-year period.

Our framework supports the achievement of strategic priorities; is an effective mechanism to attract and retain executive talent; and provides strong alignment with the interests of shareholders.

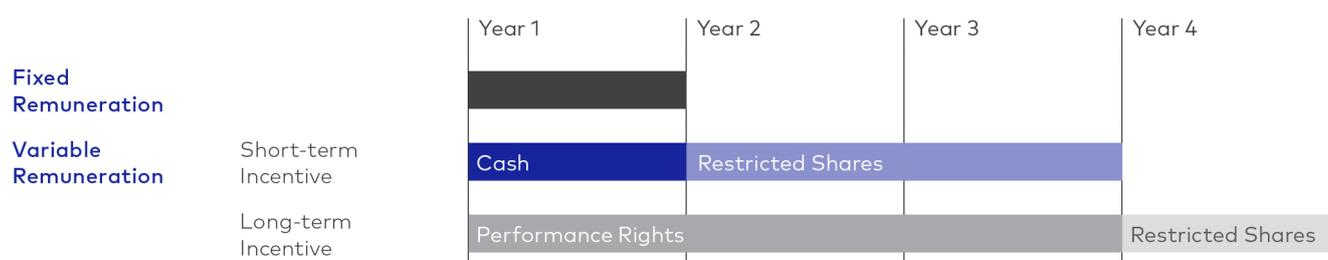
Fixed remuneration consists of market competitive base salary and superannuation.

Variable remuneration represents performance based "at-risk" remuneration which is delivered through:

- an annual STI program which delivers outcomes as a combination of cash and restricted shares;
- a three-year LTI program which issues performance rights (subject to performance conditions and continued employment) as well as trading restrictions out to the end of a four-year period; and
- deferred (equity-based) remuneration, which is underpinned by our minimum shareholding requirement.

Further information about our Senior Executive remuneration structure, including variable remuneration terms, is provided in section 5.

Chart 1: Senior Executive remuneration structure

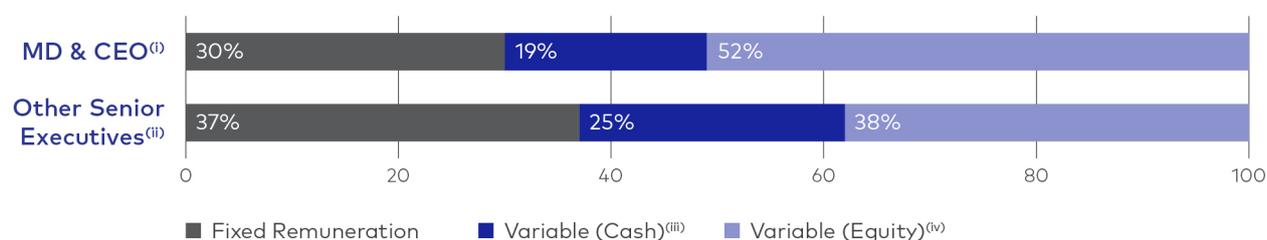


Remuneration mix

The mix of remuneration for Senior Executives has the largest weighting on variable remuneration and equity-based variable remuneration represents the largest component of total remuneration at stretch performance.

The mix of maximum total remuneration, representing stretch performance, is outlined in chart 2 below for 2021.

Chart 2: Senior Executive remuneration mix



(i) The remuneration mix for the MD & CEO reflects a base salary of \$1,650,000 and the annual STI and LTI award reflects 105% and 150% of base salary respectively.

(ii) The remuneration mix for other Senior Executives reflects average base salary of the cohort and annual STI and LTI award both reflecting 90% of base salary.

(iii) Variable (Cash) remuneration includes the superannuation payable on the cash portion of the annual STI (60% for MD & CEO and 75% for other Senior Executives) and assumes all annual objectives are assessed at stretch performance.

(iv) Variable (Equity) remuneration includes the deferred portion of the annual STI (40% for MD & CEO and 25% for other Senior Executives) and assumes all annual objectives and performance rights granted under the Ampol Equity Incentive Plan (AEIP) are assessed at stretch performance.

Directors' Report continued

Remuneration Report continued

3. 2021 Senior Executive remuneration outcomes

A snapshot of 2021 remuneration outcomes is presented in table 1. A detailed overview of the 2021 performance measures and the overall assessment of performance is provided further below, in this section.

Table 1: Summary of 2021 Senior Executive remuneration outcomes

Fixed Remuneration	Variable Remuneration	
	Short-term incentive	Long-term incentive
No changes were made to Senior Executive fixed remuneration in 2021.	<p>After consideration of holistic performance, the Board approved an average scorecard assessment of 132% of target for Senior Executives.</p> <p>2021 annual STI outcomes represent 88% of maximum opportunity, on average.</p>	<p>6.66% of the 2018 LTI award vested in April 2021.</p> <p>For details on the 2019 LTI award which is due to vest in April 2022, refer to the 'Outlook for 2022', in section 6.</p>

Fixed remuneration

As reported in the 2020 Remuneration Report, there were no permanent increases to fixed remuneration for Senior Executives. During her functional leadership of People and Culture, a higher duties salary was provided to Joanne Taylor during 2021. This amount is included in the salary values reported in table 5.

Following our annual independent market benchmarking process and recent changes in Senior Executive accountabilities, two Senior Executives will receive an increase in fixed remuneration in 2022. There will be no change to fixed remuneration for the MD & CEO in 2022. These details are included in section 6.

Short-term incentive

The Board takes a holistic approach in assessing performance through the consideration of a range of inputs and outcomes. Our STI framework rewards the achievement of annual scorecard performance measures aligned with sustainably delivering value and growth. Assessment of these measures represents a key input into the Board's assessment of performance and determination of STI outcomes.

For 2021, performance measures include a combination of financial and non-financial measures through the Ampol (Company) scorecard which accounts for 65% of target STI opportunity, with the remaining 35% of target STI opportunity determined through objectives aligned to our business area strategic priorities.

The following table provides an overview of the 2021 performance assessment for the Senior Executives.

Directors' Report continued

Remuneration Report continued

3. 2021 Senior Executive remuneration outcomes continued

Table 2: 2021 performance commentary and assessment for short-term incentive

Performance measure	Commentary	Assessment
Ampol Scorecard (65%)⁽ⁱ⁾		
Profit (40%)⁽ⁱⁱ⁾		
<p>Delivering annual RCOP NPAT to plan carries the greatest weight in the Ampol Scorecard. This ensures STI outcomes are heavily influenced by the annual profit result and aligned to shareholder experience. A profit gateway of 80% RCOP NPAT to plan applies to the entire Ampol Scorecard.</p>	<p>Our key financial measure of RCOP NPAT finished at \$365 million, which is \$153 million above 2020. This result represents a stretch outcome.</p> <p>The Board's review of significant items determined that \$10.4 million (after tax) of IT impairments would be included in the RCOP NPAT result for the purpose of determining remuneration outcomes in 2021, This moved the RCOP NPAT result for remuneration purposes from \$365 million to \$355 million.</p> <p>After careful consideration and assessment against a set of robust principles, the Board determined that the \$28 million received through the TRPP in 2021 will remain included in the RCOP NPAT result (\$355 million). Section 9 in this report provides further detail on this determination.</p>	Stretch
Safety (15%)⁽ⁱⁱⁱ⁾		
<p>Delivering safe, reliable, high-quality products and services to our customers is a critical measure of success. There are three safety measures which include Total Recordable Injury Frequency Rate (TRIFR) specific to both the Fuels and Infrastructure and Convenience Retail businesses, as well as recordable spills which is specific to Fuels and Infrastructure only. Performance gateways apply to each safety measure.</p>	<p>The commitment to safety was exemplified through another record-breaking personal safety outcome which continues to position us in the top-quartile against industry peers. Personal safety performance for the Fuels and Infrastructure and Convenience Retail businesses was above stretch performance, recording 1.9 and 4.6 TRIFR over the 2021 performance year, respectively.</p> <p>While there were no Tier 1 process safety events through 2021 (and none since 2018), three Tier 2 process safety events were recorded which resulted in the performance gateway of a maximum of two Tier 2 events in the year not being met and therefore, no STI is payable against the process safety measure.</p>	Between target and stretch
Brand (10%)		
<p>2021 was a transformative year for Ampol, relaunching the brand and accelerating site conversions around Australia. We established a clear approach to measure brand awareness and preference and tracked these metrics through a Brand Health monitor, managed by an external third party.</p> <p>We also set clear site conversion targets for 2021.</p>	<p>Customers have responded positively to the return of our iconic Australian brand, Ampol.</p> <p>Both Prompted Brand Awareness and Brand Preference reached our targeted performance range in 2021.</p> <p>With 880 sites rebranded in 2021, we are on track for completion of the Ampol network^(iv) ahead of schedule.</p>	Between target and stretch

Directors' Report continued

Remuneration Report continued

3. 2021 Senior Executive remuneration outcomes continued

Table 2: 2021 performance commentary and assessment for short-term incentive continued

Business Area Strategic Priorities (35%) ^(v)	
Enhance the core business	
<ul style="list-style-type: none"> The rebrand is on track for completion ahead of schedule. We increased the value of the Convenience Retail portfolio through the announcement of a new property trust with 20 freehold convenience sites. We closed 19 unprofitable sites, progressed the redevelopment of four highway sites and added one NTI site in growth corridors. Our decision to continue our refinery operations at Lytton and the negotiation with the Australian Government of the Fuel Security Services Payment (FSSP) significantly reduces earnings volatility and downside risk while retaining full benefit to earnings upside. Improved returns for Fuels and Infrastructure Australia (including Lytton) through a \$263m increase in RCOP EBIT compared to 2020. 	Between target and stretch
Expand from a rejuvenated fuels platform	
<ul style="list-style-type: none"> The strategy to grow international earnings through our supply chain expertise saw a 38% increase in international sales volumes. Fuels and Infrastructure International delivered a \$39 million in EBIT uplift in 2021 and is on track to achieve the targeted \$70 million uplift by 2024. Pleasingly, in the first full year of the company operated site model in our Convenience Retail business, we have begun to see the benefits of the accelerated focus on reducing labour costs, waste, and shrinkage. Convenience Retail delivered a \$53 million EBIT uplift by end 2021 and is on track to achieve the targeted \$85 million EBIT uplift by 2024. 	Between target and stretch
Evolve the energy offer for our customers	
<ul style="list-style-type: none"> Our Future Energy and Decarbonisation strategies, including our ambition of achieving net zero emissions from operations by 2040 was released in Q2 2021 and provides a clear framework to meet our interim operational decarbonisation targets. We are investing in future energy solutions for our customers with a commitment to spend a minimum of \$100 million on future energy and decarbonisation projects by 2025. In 2021 four test and learn partnerships were delivered: <ul style="list-style-type: none"> partnership with Endua for microgeneration and storage of hydrogen at remote sites, launched a green hydrogen production trial with Fusion Energy Green Fuels at our Lytton refinery, In collaboration with Tesla, commissioned VPP pilots at three sites in South Australia, and secured ARENA funding to install EV fast chargers at 121 across Australia. 	Between target and stretch
<p>(i) The Ampol Scorecard represents a common set of performance measures for all incentive eligible employees at Ampol, including Senior Executives. A profit gate opener of 80% RCOP NPAT to target applies to this portion of the Scorecard.</p> <p>(ii) The RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales. Similarly, where there are sales revenues on a different basis to current month pricing, the revenue is recalculated on current pricing with the resulting pricing lag a component of reported inventory gains and losses. Each year, the Board reviews any significant items, positive and negative, and considers their relevance to the RCOP NPAT result. Through this review it was determined that \$10.4 million (after tax) of IT impairments would be included in the RCOP NPAT result for the purpose of determining remuneration outcomes in 2021. This moved the RCOP NPAT result for remuneration purposes from \$365 million to \$355 million. The Board may exclude any exceptional events from RCOP NPAT that management and the Board consider to be outside the scope of usual business. Exclusions may be made to give a clearer reflection of underlying financial performance from one period to the next.</p> <p>(iii) TRIFR gateways of: Fatality = 0 and Category 2 injuries <=2. Fuels and Infrastructure recordable spills (> 1bbl marine spills) gateway of; Tier 1 process safety events <=1 and Tier 2 process safety events <=2</p> <p>(iv) Excludes EG sites which have been delayed to the end of the program.</p> <p>(v) The Board has oversight across objectives specific to each Senior Executive's strategic priorities. This includes financial and/or non-financial objectives to incentivise the creation of value and growth in each business area on an annual basis.</p>	

Directors' Report continued

Remuneration Report continued

3. 2021 Senior Executive remuneration outcomes continued

Overall assessment for short-term incentive

While annual scorecard outcomes are the key driver of STI, the Board takes a holistic approach in assessing a range of quantitative and qualitative inputs and outcomes in carefully considering the performance of Ampol and its Senior Executives.

The approach taken includes oversight and judgement across a range of factors not included in the annual scorecard, including:

- management within the Board-approved risk appetite,
- performance and reward appropriateness through the lens of our shareholders, customers, employees, and communities,
- ability to attract and retain best fit capability to drive sustainable value, and
- adherence to Ampol's values, and Code of Conduct.

Taking all the relevant factors into account, the Board approved Senior Executive annual STI outcomes representing 88% of maximum opportunity, on average. Table 3 below sets out the Senior Executive STI outcomes as a result of the 2021 performance assessment.

Table 3: 2021 Senior Executive short-term incentive outcomes

	2021 STI as % of base salary			2021 Outcome as % of target opportunity	2021 Outcome as % of maximum opportunity
	Target Opportunity	Maximum Opportunity	Actual Outcome		
Current Senior Executives					
Matthew Halliday	70%	105%	93%	133%	89%
Greg Barnes ⁽ⁱ⁾	60%	90%	77%	128%	85%
Andrew Brewer	60%	90%	79%	131%	87%
Brent Merrick	60%	90%	78%	130%	87%
Joanne Taylor	60%	90%	83%	138%	92%
Former Senior Executives					
Jeff Etherington ⁽ⁱⁱ⁾	–	–	–	–	–

(i) Mr Barnes was appointed Group Chief Financial Officer effective 1 July 2021. To attract Mr. Barnes to the role in the middle of the performance period, it was agreed that he would be entitled to a full-year 2021 STI opportunity based upon full year contractual salary and meeting clear performance objectives and in lieu of any sign-on arrangement. 25% of Mr Barnes' STI outcome is deferred into restricted shares for two years.

(ii) Mr Etherington remains employed with Ampol but ceased in the KMP role of Interim Chief Financial Officer effective 30 June 2021. Mr Etherington did not participate in the Senior Executive remuneration framework for 2021.

A portion of STI outcomes will be deferred in restricted shares for two years, for the MD & CEO this represents 40% and for the other Senior Executives it represents 25%. Further information on 2021 total remuneration outcomes for Senior Executives is set out in table 5.

Long-term incentive

The 2018 LTI grant vested in April 2021, following Board assessment of performance measures over the 1 January 2018 to 31 December 2020 performance period. Overall, 6.66% of the 2018 LTI award vested in April 2021. This grant was subject to the achievement of relative Total Shareholder Return (TSR) against S&P/ASX 100 companies (60%) and three strategic measures.

- Ampol's relative TSR performance compared to S&P/ASX 100 companies over this period was below threshold performance (50th percentile). No portion of the performance rights subject to this measure vested on 1 April 2021.
- The vesting performance of the Fuels and Infrastructure profit growth measure (20%) and Convenience Retail EBIT growth measure (10%) was below threshold.
- As disclosed in Ampol's 2020 remuneration report, performance of the franchisee transition measure (10%) was assessed at target resulting in 66.6% of this measure having vested on 1 April 2021.

Refer to section 6 for vesting outcome of the 2019 LTI award that will vest in April 2022.

Directors' Report continued

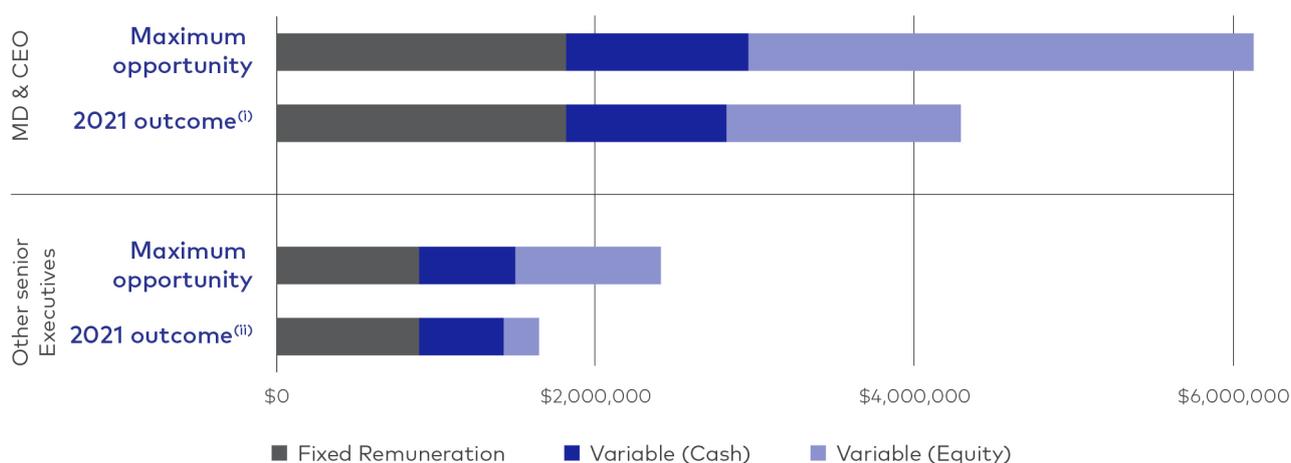
Remuneration Report continued

3. 2021 Senior Executive remuneration outcomes continued

Summary of 2021 total remuneration outcomes continued

Chart 3 illustrates 2021 total remuneration outcomes compared to the maximum opportunity under the Senior Executive remuneration framework presented in chart 2 on page 49. This reflects the average of the variable remuneration outcomes presented in table 5 where the detail of total remuneration earned in 2021 for each Senior Executive is provided.

Chart 3: 2021 total remuneration outcomes



(i) For the MD & CEO the Variable (Equity) component includes restricted shares granted to Mr. Halliday as part of a sign-on arrangement upon commencement in 2019, and which vests over four years. 30.2% of this grant vested in 2021. Further details are provided in tables 10 and 11.

(ii) The 2021 outcome represents an average STI outcome of 88% of maximum opportunity for the 2021 performance year and LTI vested during the year.

Directors' Report continued

Remuneration Report continued

3. 2021 Senior Executive remuneration outcomes continued

Link between Company performance and Senior Executive remuneration

Table 4 outlines Ampol's TSR, dividend, share price, earnings per share, RCOP NPAT results and safety performance each year from 2017 to 2021 together with a comparison to actual STI and LTI outcomes.

Our key financial measure of RCOP NPAT finished at \$365 million, which is \$153 million above 2020. This result represents the highest RCOP NPAT result since 2018, despite the continued backdrop of COVID-19 disruptions. We delivered another record-breaking personal safety outcome which continues to position us in the top-quartile against industry peers.

Ampol's Senior Executive remuneration outcomes have maintained strong alignment to Company performance and shareholder experience over time. Stretch RCOP NPAT performance for 2021 has resulted in STI being payable after two years of nil STI.

Table 4. Link between Company performance and Senior Executive remuneration (unaudited)

Summary of performance	2021	2020	2019	2018	2017
12-month TSR % ⁽ⁱ⁾	7.0	-14.1	36.9	-21.7	11.8
Dividends paid (cents per share)	75	76	93	118	121
Share price ⁽ⁱⁱ⁾	\$29.66	\$28.42	\$33.95	\$25.48	\$34.05
RCOP NPAT excl. significant items earnings per share	\$1.53	\$0.84	\$1.36	\$2.06	\$2.38
RCOP NPAT excl. significant items (million) ⁽ⁱⁱⁱ⁾	\$365	\$212	\$344	\$538	\$621
Ampol safety – TRIFR ^(iv)	3.4	7.4	11.5	8.3	5.2
Ampol safety – DAFWIFR ^(v)	1.8	3.1	5.7	2.0	1.4
Link to remuneration					
RCOP NPAT relative to annual target	153%	43%	65%	89%	119%
Average Senior Executive STI outcome (to target)	132%	0%	0%	88%	121%
LTI vesting outcome at end of performance period					
Year of grant	2019	2018	2017	2016	2015
Vesting percentage	13.33%	6.66%	6.66%	21.22%	22.38%

(i) TSR is a measure of the return to shareholders in respect of each financial year. It is calculated as the change in share price for the year, plus dividends announced for the year, divided by the opening share price.

(ii) The price quoted is the trading price for the last day of trading (31 December) in each calendar year.

(iii) Measured using the RCOP method which excludes the impact of inventory gains and losses and significant items as determined by the Board providing a truer reflection of underlying financial performance.

(iv) Total Recordable Injury Frequency Rate (TRIFR).

(v) Days Away from Work Injury Frequency Rate (DAFWIFR). The total number of occupational injuries resulting in 'Days Away from Work' as certified by a physician during a nominated reporting period per 1,000,000 hours worked for a nominated reporting period.

Directors' Report continued

Remuneration Report continued

3. 2021 Senior Executive remuneration outcomes continued

2021 Total remuneration earned by Senior Executives

The following table sets out the actual remuneration earned by Senior Executives in 2021. The value of remuneration includes the long-term equity grants where the Senior Executive received control of the shares in 2021.

The purpose of this table is to provide a summary of the remuneration outcomes received in either cash or equity in 2021. The values in this table will not reconcile with those provided in the statutory disclosures in table 9. For example, table 9 discloses the value of LTI grants which may or may not vest in future years amortised over the vesting period and may be negative when adjustments for actual vesting outcomes are applied. The following table discloses the value of the 2018 LTI grant which vested in 2021 as well as the full value of the deferred portion of 2021 STI to be granted in April 2022 which is not reflected in table 9 on the same basis.

Table 5: Total remuneration earned by Senior Executives in 2021 (unaudited, non-statutory disclosure)

	Fixed Remuneration (i)	STI (Cash) (ii)	STI (Restricted Shares) (iii)	LTI vested during the year (iv)	Remuneration 'earned' for 2021 (v)
Current Senior Executives					
Matthew Halliday (Managing Director and Chief Executive Officer)					
2021	2,092,958	1,013,859	614,460	859,707	4,580,984
Greg Barnes (Group Chief Financial Officer) ^(vi)					
2021	565,015	601,920	182,400	-	1,349,335
Andrew Brewer (Executive General Manager, Fuel Supply Chain)					
2021	919,825	502,549	152,288	14,246	1,588,908
Brent Merrick (Executive General Manager, International and New Business)					
2021	878,730	460,103	139,425	155,634	1,633,892
Joanne Taylor (Executive General Manager, Consumer and B2B) ^(vii)					
2021	1,138,733	553,140	167,618	26,531	1,886,022
Former Senior Executives					
Jeff Etherington (Interim Chief Financial Officer) ^(viii)					
2021	461,864	158,389	-	15,987	636,240
Total remuneration:					
2021	6,057,125	3,289,960	1,256,191	1,072,105	11,675,381

(i) Salary and fees comprise base salary, superannuation on base salary, annual leave and long service leave entitlements, and any fringe benefits tax payable on non-monetary benefits.

(ii) The cash portion of short-term incentive for the 2021 performance year payable in April 2022 including employer superannuation contribution.

(iii) The grant value of the deferred portion of 2021 STI issued as restricted shares for two years to be granted in April 2022. 40% of the STI outcome is deferred for the MD & CEO and 25% of the STI outcome is deferred for the other Senior Executives.

(iv) This refers to cash and equity based LTI plans from prior years that have vested in the current 2021 year. The value is calculated using the closing share price of Company shares on the vesting date. The 2021 LTI figures reflect 6.66% of the 2018 LTI Award vested. For Mr Halliday, this amount refers to the value of the restricted shares which were granted in 2019 as part of a sign-on arrangement, of which 28,095 shares vested to him during 2021 (refer to table 10 for more detail). For Mr Merrick this amount includes the vesting value of tranche 1 of 2 of a one-off retention award of Share Rights granted in 2019.

(v) This refers to the total value of remuneration earned during 2021, being the sum of the prior columns.

(vi) Mr Barnes was appointed Group Chief Financial Officer effective 1 July 2021. To attract Mr. Barnes to the role in the middle of the performance period, it was agreed that he would be entitled to a full-year 2021 STI opportunity based upon full year contractual salary and meeting clear performance objectives and in lieu of any sign-on arrangement.

(vii) Ms Taylor resigned from Ampol on 14 February 2022. The Board has exercised its discretion to pay STI for 2021 given the strong performance and contribution over the full performance period. Upon cessation of employment, the Restricted Shares component of 2021 STI (being 25%), will be forfeited.

(viii) Mr Etherington remains employed with Ampol but ceased in the KMP role of Interim Chief Financial Officer effective 30 June 2021. Mr Etherington did not participate in the Senior Executive remuneration framework for 2021.

Directors' Report continued

Remuneration Report continued

4. Remuneration governance

Board and Human Resources Committee

The Board takes an active role in the governance and oversight of Ampol's remuneration policies and practices. Approval of certain key human resources and remuneration matters are reserved for the Board, including setting remuneration for KMP and any discretion applied in relation to the targets or funding pool for Ampol's incentive plans.

The Human Resources Committee assists the Board to fulfil its corporate governance responsibilities in relation to Ampol's remuneration framework, incentive plans, succession planning, cultural health and engagement as well as diversity, equity and inclusion.

The Human Resources Committee seeks to put in place appropriate remuneration arrangements and practices that are clear and understandable, attract and retain talent and capability, and support superior performance and long-term growth in shareholder value.

Throughout the performance year the Human Resources Committee support the Board by regularly monitoring performance against the Board-approved Ampol Scorecard and strategic priorities for Senior Executives.

While annual scorecard outcomes are the primary driver of STI, the Board takes a holistic approach in assessing a range of quantitative and qualitative inputs and outcomes in carefully considering the performance of Ampol and its Senior Executives. The approach taken includes oversight and judgement across:

- management within the Board-approved risk appetite,
- performance and reward appropriateness through the lens of our shareholders, customers, employees and communities,
- ability to attract and retain best fit capability to drive sustainable value, and
- adherence to Ampol's values, and our Code of Conduct.

The Board uses this assessment in considering the potential for a discretionary overlay either upward or downward at the Ampol and/or individual level.

Further information about the role of the Board and the Human Resources Committee is set out in their charters, which are available on the Company's website (www.ampol.com.au).

External advice

The Human Resources Committee is independent of management and is authorised to obtain external professional advice as necessary. The use of external specialists to provide advice and recommendations specifically in relation to the remuneration of KMP is either initiated directly, or approved by, the Human Resources Committee, and these specialists are directly engaged by the Human Resources Committee Chair.

During 2021, Ampol received no 'remuneration recommendations' (as defined in the Corporations Act).

Malus and Clawback

Ampol has malus and clawback provisions over Senior Executive remuneration that allows the Company to reduce (including to zero) and/or recoup incentives that may have been awarded and/or vested to Senior Executives in certain circumstances. Triggers to enact these provisions include where the Senior Executive acts fraudulently or dishonestly; is in breach of their obligations; has brought a Group company into disrepute; delivers business performance which is unsustainable or involves unacceptably high risk; where there has been a material failure of risk management by the Company; misstatement or omission in the financial statements in relation to a Group company in any of the previous three financial years; or any other circumstances the Board determines in good faith to have resulted in an unfair benefit to the Senior Executive.

The Board may at any time exercise discretion if, acting in good faith, it determines that any trigger for malus and clawback exists or has occurred. These actions include; deem any vesting equity award granted to the Senior Executive to be forfeited; reissue any number of performance rights or restricted shares to the Senior Executive subject to new vesting conditions in place of any forfeited; require reimbursement of cash already paid to the Senior Executive following vesting; adjust the Senior Executive's future incentive remuneration; and/or initiate legal action against the Senior Executive.

Hedging and margin lending policies

The Ampol Securities Trading Policy prohibits KMP from entering into any arrangements that would have the effect of limiting their exposure relating to Ampol securities, including vested Ampol securities or unvested entitlements to Ampol securities under the Ampol Equity Incentive Plan (AEIP). KMP are prohibited from entering into any margin lending arrangements and other secured financing arrangements in respect of Ampol securities.

KMP are required to undertake training to ensure that they are aware of and understand their obligations and responsibilities under the Ampol Securities Trading Policy, which is available on our website. A contravention is a serious matter and may lead to disciplinary action, including termination of employment.

Directors' Report continued

Remuneration Report continued

5. Senior Executive remuneration in detail

Senior Executive remuneration and service agreements

MD & CEO

The MD & CEO's remuneration is determined by the Board following receipt of a recommendation from the Human Resources Committee. In making its remuneration recommendation, the Human Resources Committee considers the performance of the MD & CEO and external market remuneration levels for companies of a similar size and complexity.

The split between the MD & CEO's 2021 annual total target and maximum remuneration is outlined below.

Table 6. MD & CEO total remuneration

	Fixed Remuneration	Variable Remuneration	
		STI ⁽ⁱⁱ⁾	LTI ⁽ⁱⁱⁱ⁾
Target	\$1,815,000 ⁽ⁱ⁾	\$1,224,300 (70% of base salary) Where target performance is achieved; all Company and individual financial and non-financial (incl. strategic) measures are assessed as meeting target objectives.	\$1,650,000 (100% of base salary) Where target performance is achieved; relative TSR 75th percentile of ASX 100 companies and ROCE measure meets target objective.
Maximum		\$1,836,450 (105% of base salary) Where stretch performance is achieved; all Company and individual financial and non-financial (incl. strategic) measures are assessed as meeting stretch objectives.	\$2,475,000 (150% of base salary) Where stretch performance is achieved; relative TSR 90th percentile of ASX 100 companies and ROCE measure meets stretch objective.

Notes:

- (i) Fixed Remuneration consists of a base salary of \$1,650,000 and superannuation contribution of 10.0%. The MD & CEO's base salary remains unchanged since his appointment effective 29 June 2020
- (ii) Values include the superannuation contributions of 10.0% on the cash component of STI (60%), the deferred component of restricted shares (40%) does not attract superannuation.
- (iii) LTI performance rights are tested at the end of a three-year performance period and converted to shares subject to a 12-month restriction period.

Table 7. Summary of MD & CEO's service agreement

Term	Conditions
Duration	Ongoing until notice is given by either party
Termination by MD & CEO	Six months' notice Company may elect to make payment in lieu of notice
Termination by Company for cause	No notice requirement or termination benefits (other than accrued entitlements)
Termination by Company (other)	Six months' notice Termination payment of six months' base salary (reduced by any payment in lieu of notice) Treatment of unvested STI and LTI in accordance with plan terms
Post-employment restraints	Restraint applies for six months if employed in the same industry within Australia

Mr Matthew Halliday was appointed as Chief Financial Officer in April 2019. Mr Halliday received an award of restricted shares to compensate him for forgone LTI at his prior employer. The restricted share grant will vest in four tranches over three years and reflects the vesting schedule of the LTI forgone. Each unvested tranche will lapse if his employment ceases due to resignation, negligent behaviour, unsatisfactory performance or circumstances requiring immediate termination prior to each respective vesting date. This arrangement was established prior to his appointment to the MD & CEO role.

Directors' Report continued

Remuneration Report continued

5. Senior Executive remuneration in detail continued

Senior Executive remuneration and service agreements continued

Other Senior Executives

The remuneration and terms of employment for the other Senior Executives are formalised in service agreements (contracts of employment). Other Senior Executives are appointed as permanent Ampol employees, and the terms and conditions reflect market conditions at the time of the contract negotiation and appointment. The durations of the service agreements are open-ended (i.e. ongoing until notice is given by either party). The material terms of the service agreements are set out below.

Table 8. Service agreements for Senior Executives

	Termination on notice (by the Company)	Resignation (by the Senior Executive)
Permanently appointed Senior Executives	6 months	6 months

Should a Senior Executive resign, their entitlement to unvested shares payable through the AEIP would generally be forfeited and if resignation was on or before 1 April of the year, any entitlement under the Leading Results Program would also be forfeited subject to the discretion of the Board. Should a Senior Executive be made redundant, their redundancy payment is determined by the Ampol Redundancy Policy with the payment calculated based on years of service and the applicable notice period.

Other than prescribed notice periods, there is no special termination benefit payable under the service agreements. Statutory benefits (such as long service leave) are paid in accordance with the legislative requirements at the time the Senior Executive ceases employment.

2021 Short-term Incentive Program

Plan	STI awards are made under the Leading Results Program.
Plan design	The plan considers Company performance against key financial and non-financial performance measures defined in the Ampol (Company) Scorecard (65%) as well as individual contribution of the Senior Executive in delivering objectives aligned to our business area strategic priorities (35%).
Period	The performance period is for the 12 months ending 31 December 2021.
Incentive opportunity	For the MD & CEO the target STI opportunity is 70% of base salary and the maximum stretch STI opportunity is 105% of base salary. For other Senior Executives the target STI opportunity is 60% of base salary and the maximum stretch STI opportunity is 90% of base salary. Below threshold performance results in 0%.
Financial gateway	RCOP NPAT performance, including the cost of incentives, must achieve 80% of target before STI is payable for 65% of the Leading Results Program (the Ampol Scorecard).
Deferral	STI awards are delivered part in cash (60% for the MD & CEO, 75% for other Senior Executives), and part in Restricted Shares deferred for two years (where the deferred component is over \$25,000). Superannuation is only payable on the cash portion of STI.
Restricted Shares	The number of Restricted Shares granted will be calculated by dividing the deferred portion of Senior Executive STI outcome by the volume-weighted average price (VWAP) of the Company's ordinary shares for 20 trading days up to 1 January 2022. Restricted Shares will be granted on or around 15 April 2022 consistent with payment of the STI cash portion. Senior Executives will be restricted in trading shares until 1 April 2024 (Vesting Date).
Cessation of employment	Unless the Board determines otherwise, if you cease employment with a Group Company prior to the Vesting Date of Restricted Shares: <ul style="list-style-type: none"> • due to resignation or dismissal for cause, your Restricted Shares will immediately be forfeited; • for any other reason, (including due to retirement, Total and Permanent Disability, death or redundancy), your Restricted Shares will remain on foot and will vest at the original Vesting Date.
Frequency	STI awards are paid annually. Payments are made in the April following the end of the performance period and Board approval.
Board discretion	The Board has discretion to alter, remove or substitute performance measures at any time prior to payment and has full discretion in relation to calculations and outcomes.

Directors' Report continued

Remuneration Report continued

5. Senior Executive remuneration in detail continued

2021 Long-term Incentive Plan

Plan	The 2021 LTI award was granted under the AEIP.
LTI instrument	<p>Performance rights are granted by the Company for nil consideration. Each Performance Right is an entitlement to receive one Restricted Share (or a cash payment of equivalent value), subject to satisfaction of the applicable performance conditions over the performance period and the cessation of employment rules outlined further below.</p> <p>Performance Rights do not carry any dividend or voting rights, or in general, a right to participate in other corporate actions, such as bonus issues. Performance Rights are not transferable (except in limited circumstances or with the consent of the Board).</p> <p>Following vesting, performance rights are converted to restricted shares and may not be sold or otherwise dealt with, until the end of the 12 month restricted period.</p> <p>Restricted shares are not transferable (except in limited circumstances or with the consent of the Board).</p>
Allocation methodology	The number of Performance Rights granted has been calculated by dividing the maximum LTI opportunity by the VWAP of the Company's ordinary shares for 20 trading days up to the first day of the Performance Period, discounted to recognise that the Performance Rights have no rights to receive dividends.
Performance period	The performance period is three years commencing on 1 January in the year the awards are made. For the 2021 awards, this is the three-year period from 1 January 2021 to 31 December 2023.
LTI opportunity	<p>The MD & CEO received a grant of performance rights based on a maximum stretch LTI value of 150% of base salary. The target LTI value is 100% of base salary.</p> <p>Other Senior Executive grants were based on a maximum stretch LTI value of 90% of base salary with target LTI value of 60% of base salary.</p>
Performance measures	<p>Vesting of Performance Rights is subject to the following performance conditions:</p> <ul style="list-style-type: none"> • 50% of the Performance Rights are subject to a relative TSR measure, reflecting shareholder experience; and • 50% of the Performance Rights are subject to a return on capital employed (ROCE) measure, reflecting the Company's return on capital.
Vesting	<p>Vesting will occur in the April following the performance period once the performance measures have been assessed per the vesting schedule.</p> <p>For the 2021 awards, this will be April 2024.</p>
Vesting schedule	<p>Relative TSR performance⁽ⁱ⁾ and percentage of the rights that will vest:</p> <ul style="list-style-type: none"> • Threshold (50th percentile): 50% • At or above Stretch (75th percentile): 100% • Pro-rata vesting occurs between threshold and stretch performance levels <p>ROCE is determined as RCOP EBIT over capital employed where capital employed is total equity plus net debt. ROCE will be calculated by using the average RCOP EBIT and the average capital employed over the three year performance period. ROCE performance⁽ⁱⁱ⁾ and percentage of the rights that will vest:</p> <ul style="list-style-type: none"> • Threshold: 33.3% • Target: 66.6% • Stretch: 100% • Pro-rata vesting occurs between threshold and target, and target and stretch performance levels

(i) Relative TSR measures a return on an investment in Shares over the Performance Period, relative to companies that comprise Standard & Poor's S&P/ASX 100 index at the commencement of the Performance Period. The return is based on an investor's return, defined as the percentage difference between the initial amount invested in Shares and the final value of those Shares at the end date, assuming dividends were reinvested. Any effects from Share price volatility on a particular day at the beginning or end of the Performance Period are smoothed out by calculating the average Share price over a reasonable time period determined by the Board. The Board has discretion to adjust the comparator group to take into account events including, but not limited to, takeovers, mergers or de-mergers that might occur during the Performance Period. The Board retains discretion to adjust the TSR measure or vesting schedule in exceptional circumstances, including matters outside of management's influence, to ensure that a participant is neither advantaged nor disadvantaged by matters that may materially affect achievement of the TSR performance measure.

(ii) Threshold ROCE performance has been set above our Weighted Average Cost of Capital (WACC) and target aligned to the three-year business plan target approved in 2020. When testing the ROCE targets, the Board has full discretion in relation to its calculations and may include or exclude items, including to appropriately reflect the impact of corporate actions, such as mergers and acquisitions or major projects, which, while in shareholders' long term interests, may adversely impact near term ROCE. The Board considers ROCE targets as commercially sensitive, as disclosure could potentially indicate the Company's margins. Therefore, those targets will not be disclosed during the performance period. The Board will set out how Ampol has performed against ROCE performance measures in the 2023 Remuneration Report, to be published in February 2024.

Directors' Report continued

Remuneration Report continued

5. Senior Executive remuneration in detail continued

2021 Long-term Incentive Plan continued

Allocation of Shares upon vesting	<p>Following determination of the extent to which the performance conditions have been satisfied (at the end of the three-year performance period), vested Performance Rights will be automatically exercised, and one Restricted Share will be allocated for each vested Performance Right that is exercised (unless the Board decides to settle any vested Performance Rights in cash).</p> <p>The Company's obligation to allocate Restricted Shares on vesting and automatic exercise will be satisfied using shares that have been purchased on-market.</p>																
Price payable for securities	<p>No amount is payable in respect of the grant of Performance Rights, nor in respect of any Restricted Shares allocated following vesting of the Performance Rights.</p>																
Cessation of employment	<p>The treatment of the Performance Rights and Restricted Shares upon cessation of employment is summarised in the table below:</p> <table border="1"> <thead> <tr> <th style="text-align: left;">Date of cessation</th> <th style="text-align: left;">Reason</th> <th style="text-align: left;">Outcome</th> </tr> </thead> <tbody> <tr> <td>Less than six months after grant date</td> <td>Any</td> <td>All Performance Rights will immediately lapse</td> </tr> <tr> <td rowspan="2">At least six months after grant date, but prior to vesting</td> <td>Resignation or dismissal for cause</td> <td>All Performance Rights will immediately lapse</td> </tr> <tr> <td>Any other reason</td> <td>Unless the Board determines otherwise, Performance Rights will continue and vest on the original vesting date, subject to satisfaction of the performance conditions. The Board has discretion to determine that only a pro-rata number of Performance Rights continue, based on the Performance Period elapsed.</td> </tr> <tr> <td>Following vesting (whilst holding Restricted Shares)</td> <td>Any</td> <td>The restrictions on the Shares will immediately be lifted.</td> </tr> </tbody> </table> <p>The Board may exercise its discretion to determine a different treatment prior to or within 60 days of the cessation date. In the event that any additional lapsing of Performance Rights is determined by the Board, the lapse will be deemed to have taken effect on the cessation date.</p>			Date of cessation	Reason	Outcome	Less than six months after grant date	Any	All Performance Rights will immediately lapse	At least six months after grant date, but prior to vesting	Resignation or dismissal for cause	All Performance Rights will immediately lapse	Any other reason	Unless the Board determines otherwise, Performance Rights will continue and vest on the original vesting date, subject to satisfaction of the performance conditions. The Board has discretion to determine that only a pro-rata number of Performance Rights continue, based on the Performance Period elapsed.	Following vesting (whilst holding Restricted Shares)	Any	The restrictions on the Shares will immediately be lifted.
Date of cessation	Reason	Outcome															
Less than six months after grant date	Any	All Performance Rights will immediately lapse															
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	Any other reason	Unless the Board determines otherwise, Performance Rights will continue and vest on the original vesting date, subject to satisfaction of the performance conditions. The Board has discretion to determine that only a pro-rata number of Performance Rights continue, based on the Performance Period elapsed.															
Following vesting (whilst holding Restricted Shares)	Any	The restrictions on the Shares will immediately be lifted.															
Malus and Clawback	<p>The Plan provides the Board with the ability to reduce, vary or claw back Performance Rights, Restricted Shares and Shares in circumstances where the Board considers that the Senior Executive received inappropriate or unfair benefits in connection with their 2021 LTI, or any other remuneration. These circumstances may include fraud, dishonesty, gross misconduct, material misstatement of accounts or risk failures.</p>																
Change of control provisions	<p>Any unvested performance rights may vest at the Board's discretion.</p>																

Senior Executive minimum shareholding requirements

A minimum shareholding requirement was introduced in 2021 and applies to the MD & CEO as 100% of fixed annual remuneration, and other Senior Executives as 50% of fixed annual remuneration. The minimum shareholding is to be obtained within five years of 1 January 2021 or 1 July following Senior Executive commencement.

Directors' Report continued

Remuneration Report continued

6. Outlook for 2022

Fixed remuneration

In 2021 a review of Ampol's operating model was completed ensuring we balance today's business with investment for tomorrow and keep customers at the heart of everything we do. Senior Executive portfolios were revised as a new leadership team was established. A comprehensive external and independent remuneration benchmarking exercise was completed following the appointment of Senior Executives to new positions.

The benchmarking demonstrated that our remuneration framework remains competitive and delivers an appropriate mix of fixed and variable remuneration. However, to ensure total remuneration levels appropriately reflect the scope of our Senior Executive roles, two Senior Executives will receive adjustments to base salary, to take effect in 2022.

- Andrew Brewer will receive a 3% increase following appointment to the Executive General Manager Fuel Supply Chain role; and
- Brent Merrick will receive an 8% increase following appointment to the Executive General Manager International and New Business role.

Variable remuneration

Short-term Incentive plans

Commencing from 2022, climate measures will form a key input in determining STI outcomes. A 10% weighting to Climate measures will be added to the Ampol Scorecard through a reweighting of both Safety and Brand measures. There are no other anticipated changes to STIs for 2022.

At Ampol, sustainability has long been an integral part of our culture and strategy to deliver long-term value for our shareholders, customers and the community. Our approach involves making sustainability core to decision-making at all levels in our business and in a way that balances ESG aspects with broader strategic objectives.

Ampol is committed to being an organisation that reduces its operational carbon footprint as well as finding and developing new energy solutions that can meet our customers' needs as they evolve. These dual objectives are intrinsic to our longevity and delivering sustained value to our stakeholders. Therefore, commencing from 2022, climate measures will form a key part of determining STI outcomes.

Ampol's climate measures will focus on decarbonisation across Scope, 1, 2 and 3 emissions by measuring progress against annual climate performance. Performance will be determined by assessing progress made towards:

- 2025 Scope 1 and 2 emissions targets through the delivery of abatement projects; and
- Scope 3 emissions intensity reduction goals through the delivery of targeted e-mobility, hydrogen and biofuels initiatives.

These focus areas are strongly aligned to our strategy and future success in delivering sustainable value to our stakeholders.

Long-term Incentive plans

There are no anticipated changes to the 2022 LTI plan. The terms of the 2021 LTI plan presented in section 5 of this report will apply consistently to the 2022 LTI grant to be awarded in April 2022.

Following Board assessment of performance measures over the three-year performance period ending 31 December 2021, 13.33% the 2019 LTI grant will vest in April 2022. This grant was subject to the achievement of relative TSR (60%) and a ROCE measure (40%):

- Ampol's relative TSR performance compared to S&P/ASX 100 companies over the period was at the 44th percentile representing below threshold (50th percentile) performance. No portion of the performance rights subject to this measure will vest in April 2022.
- Ampol's ROCE performance over the period was 10.3% representing threshold performance. Consistent with the determination of RCOP NPAT for remuneration purposes in 2021, IT impairments of \$10.4 million (after tax) were included in the final determination of the ROCE performance calculation over the three years ending 31 December 2021. ROCE threshold is defined as WACC plus 1% with ROCE target defined per 2019 three-year Business Plan. Average annual pre-tax WACC over the performance period was 9.2%. The at threshold assessment of ROCE results in 33.3% of the performance rights subject to this measure vesting (13.33% of the total 2019 LTI award).

Where the Senior Executive does not meet their minimum shareholding requirement at the vesting date, 25% of the of the vested portion of the 2019 LTI award will be converted to restricted shares with four-year dealing restriction (i.e., until April 2026). The restricted shares will be converted to ordinary shares at the earlier of the four year restriction period; the Senior Executive meeting their minimum shareholding requirement; or upon cessation of employment.

Performance of the 2020 LTI grant will be tested at the year ending 31 December 2022 with the potential to vest in April 2023. The 2020 LTI grant is subject to equally weighted relative TSR and ROCE performance measures.

Directors' Report continued

Remuneration Report continued

7. Senior Executive remuneration tables

Table 9. Total remuneration for Senior Executives in 2021 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2020 and 2021, calculated in accordance with statutory accounting requirements:

	Salary and fees (i)	Bonus (short-term incentive) (ii)	Non-monetary benefits (iii)	Post-employment Super-annuation (iv)	Other long-term Other (v)	Retention Award (vi)	Equity Share benefits (vii)	Rights benefits (long-term incentive) (viii)	Total
Current Senior Executives									
Matthew Halliday ^{(ix) (xi)}									
2021	1,964,671	921,690	64,414	114,800	41,242	255,500	691,102	871,953	4,925,372
2020	1,552,762	0	59,972	21,348	41,305	1,277,500	809,972	63,016	3,825,875
Greg Barnes ^{(ix) (xii)}									
2021	536,580	547,200	4,668	66,504	11,982	–	56,088	192,018	1,415,040
2020	–	–	–	–	–	–	–	–	–
Andrew Brewer ^{(ix) (xiii)}									
2021	866,674	456,863	11,148	68,317	19,371	–	46,828	104,651	1,573,852
2020	72,874	–	1,242	6,428	1,699	–	–	–	82,243
Brent Merrick ^{(ix) (xiv)}									
2021	688,012	418,275	89,446	125,229	17,871	–	42,873	308,889	1,690,595
2020	195,306	–	29,360	17,124	4,597	–	–	53,164	299,551
Joanne Taylor ^{(ix) (x)}									
2021	1,077,656	502,855	18,206	72,916	20,240	147,779	51,542	331,355	2,222,549
2020	882,719	–	20,632	21,348	20,240	738,897	–	(1,499)	1,682,337
Former Senior Executives									
Jeff Etherington ^{(ix) (xv)}									
2021	436,785	143,990	7,917	25,246	6,315	127,750	–	78,200	826,203
2020	620,225	–	13,550	16,098	12,748	638,750	–	(8,516)	1,292,855
Total remuneration:									
2021	5,570,378	2,990,873	195,799	473,012	117,021	531,029	888,433	1,887,066	12,653,611
2020	3,323,886	–	124,756	82,346	80,589	2,655,147	809,972	106,165	7,182,861

Directors' Report continued

Remuneration Report continued

7. Senior Executive remuneration tables continued

Table 9. Total remuneration for Senior Executives in 2021 (statutory disclosures) continued

- (i) Salary and fees include base salary and cash payments in lieu of employer superannuation. For 2021 the cash payments in lieu of employer superannuation is on 2021 base salary only. These figures also include any annual leave accruals for Senior Executives.
- (ii) Bonus represents the cash component of the 2021 STI payable in April 2022 excluding employer superannuation contribution.
- (iii) The non-monetary benefits received by Senior Executives include car parking benefits, employee AmpolCard benefits, the payment of the default premiums for death and total and permanent disability insurance cover and related fringe benefits tax payments made by Ampol.
- (iv) Superannuation includes the employer superannuation contributions paid, and includes the full value of employer superannuation on the cash component of the 2021 STI payable in April 2022.
- (v) Other long-term remuneration represents the long service leave accruals for all Senior Executives.
- (vi) As disclosed in the 2020 Remuneration Report, to mitigate the heightened retention risk during a protracted take-over bid and to ensure Senior Executive team stability through the transition of MD & CEO, a one-off cash retention award was granted. This value represents the amount of the retention award accrued for in 2021 being two out of 12 months of the total retention award. This value is not reported in table 5 as the full value of this award was reported in table 4a of the 2020 Remuneration Report.
- (vii) Share benefits represent the value of the deferred component of STI delivered in Restricted Shares that have been or that will be awarded to Senior Executives. For Mr Halliday this includes the value of Restricted Shares granted to him upon commencement. These values have been calculated in accordance with accounting standards with further details regarding these awards set out in table 10.
- (viii) These values have been calculated in accordance with accounting standards. The values may not represent the future value that the Senior Executive will receive, as the vesting of the performance rights is subject to Ampol achieving pre-defined performance measures. The value of Restricted Shares and Performance Rights is amortised over the applicable vesting period. The amount shown is the amortisation relating to the 2021 reporting year (and 2020 as a comparison). The accounting value of share-based payments may be negative where a Senior Executive's share-based payment expense includes adjustments for previously incurred expenses relating to an award that has not met its vesting conditions. For Mr Merrick this amount includes the value of a one-off retention award of Share Rights granted in 2019.
- (ix) These Senior Executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.
- (x) Ms Taylor resigned from Ampol on 14 February 2022. The Board has exercised its discretion to pay STI for 2021 given the strong performance and contribution over the full performance period. Upon cessation of employment, the Restricted Shares component of 2021 STI (being 25%), will be forfeited. Ms Taylor remains eligible for the 2019 LTI award subject to the terms of the offer and upon cessation of employment will forfeit eligibility for both the 2020 and 2021 LTI awards.
- (xi) Mr Halliday was appointed MD & CEO effective 29 June 2020.
- (xii) Mr Barnes was appointed Group Chief Financial Officer effective 1 July 2021.
- (xiii) Mr Brewer was appointed Executive General Manager effective 1 December 2020.
- (xiv) Mr Merrick was appointed Executive General Manager effective 28 September 2020.
- (xv) Mr Etherington remains employed with Ampol but ceased in the KMP role of Interim Chief Financial Officer effective 30 June 2021. Mr Etherington did not participate in the Senior Executive remuneration framework for 2021.

Directors' Report continued

Remuneration Report continued

7. Senior Executive remuneration tables continued

Table 10. Unvested shareholdings of Senior Executives during 2021

	Unvested shares at 31 Dec 2020	Restricted shares granted	Shares vested in current performance year	Forfeited	Unvested shares at 31 Dec 2021
Matthew Halliday ⁽ⁱ⁾	60,630	–	28,095	–	32,535

(i) The restricted shares awarded to Mr Halliday represent the grant received on commencement with Ampol in lieu of the LTI forgone with his previous employer (refer to section 5 for further detail). 17.5% vested in October 2019, 17.5% vested in October 2020, and 30.2% vested in October 2021. The final tranche of 34.8% will vest in October 2022.

Table 11. Restricted Share grant to a Senior Executive – other awards

The following table provides an estimate of the future cost to Ampol of unvested Restricted Shares based on the progressive vesting of the Restricted Shares. One award was made to Matthew Halliday in 2019 in respect of unvested LTI which lapsed upon his resignation with his prior employer. The estimated future cost of the unvested shares has been supplied below.

	Type of award	Year of award	Vested (% of shares vested)	Future years when shares will vest	Future cost to Ampol of unvested shares (\$)
Matthew Halliday	Sign-on	2019	65.1%	2022 (34.9%)	202,329

Table 12. 2021 Senior Executive performance rights

LTIs for Senior Executives are awarded as performance rights under the AEIP as detailed in section 5. The following table demonstrates movement in performance rights held by Senior Executives during the year, including details of the performance rights that vested as presented in table 5.

	Performance rights at 1 Jan 2021 ⁽ⁱ⁾	Granted in 2021 ⁽ⁱⁱ⁾	Vested in 2021 ⁽ⁱⁱⁱ⁾	Lapsed in 2021 ^(iv)	Balance at 31 December 2021 ^(v)
Current Senior Executives					
Matthew Halliday	105,109	97,016	–	–	202,125
Greg Barnes ^(vi)	–	52,326	–	–	52,326
Andrew Brewer	8,717	25,612	(581)	(8,136)	25,612
Brent Merrick	45,653	23,630	(6,347)	(5,946)	56,990
Joanne Taylor	70,892	26,760	(1,082)	(15,163)	81,407
Former Senior Executives					
Jeff Etherington ^(vii)	35,386	9,270	(652)	(9,133)	34,871

(i) This relates to the 2018, 2019 and 2020 performance rights. If the service-based and performance-based vesting conditions are achieved, the 2019 and 2020 performance rights will vest in 2022 and 2023 respectively. For Senior Executives appointed during the year this includes performance rights held at the time of appointment. For Mr Merrick this value includes a one-off retention award of share rights granted in 2019 vesting in equal tranches in April 2021 and April 2022.

(ii) This relates to the 2021 performance rights. If the service-based and performance-based vesting conditions are achieved, these performance rights will vest in 2024. For Mr Halliday this includes additional allocation of 2020 performance rights following permanent appointment to the MD & CEO role 29 June 2020.

(iii) This relates to the 2018 performance rights of which 6.66% vested. Senior Executives received one Ampol share for each right that vested. For Mr Merrick this value includes a one-off retention award of share rights granted in 2019 vesting in equal tranches in April 2021 and April 2022.

(iv) This relates to the 2018 performance rights of which 93.33% lapsed and for the former Senior Executives the full or pro-rated portion of unvested performance rights which lapsed on cessation of employment. Refer to section 5.

(v) The performance rights for any former Senior Executives are as at the date they ceased employment or retired from their office.

(vi) Mr Barnes was appointed Group Chief Financial Officer effective 1 July 2021. To attract Mr. Barnes to the role in the middle of the performance period it was agreed that he would be entitled to participate in the 2021 performance rights grant at a level equivalent to two thirds greater than his regular annual entitlement. This grant represents deferred, equity based, performance conditioned remuneration in lieu of any sign-on arrangement.

(vii) Mr Etherington remains employed with Ampol but ceased in the KMP role of Interim Chief Financial Officer effective 30 June 2021.

Directors' Report continued

Remuneration Report continued

7. Senior Executive remuneration tables continued

Table 13. Valuation assumptions of performance rights granted

The fair value of performance rights granted under the AEIP is determined independently by Deloitte using an appropriate numerical pricing model. The model considers a range of assumptions and the fair values for each year of grant have been calculated incorporating the assumptions below.

	2021 grant ⁽ⁱ⁾⁽ⁱⁱ⁾		2020 grant ⁽ⁱ⁾⁽ⁱⁱ⁾		2019 grant ⁽ⁱ⁾	
	Relative TSR against S&P/ASX 100	ROCE measure	Relative TSR against S&P/ASX 100	ROCE measure		
Grant date	07 April 2021 24 May 2021 15 July 2021	07 April 2021 24 May 2021 15 July 2021	03 April 2020	03 April 2020	4 April 2019 20 May 2019	4 April 2019 20 May 2019
Vesting date	1 April 2024	1 April 2024	1 April 2023	1 April 2023	1 April 2022	1 April 2022
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	33% 34% 34%	33% 34% 34%	29%	29%	20% 20%	20% 20%
Risk-free interest rate	0.3% 0.2%	0.3% 0.2%	0.2%	0.2%	1.4% 1.2%	1.4% 1.2%
Dividend yield	2.0% 1.7% 1.6%	2.0% 1.7% 1.6%	3.6%	3.6%	4.5% 4.4%	4.5% 4.4%
Expected life (years)	3.0 2.9 2.7	3.0 2.9 2.7	3.0	3.0	3.0 2.9	3.0 2.9
Share price at grant date	\$24.57 \$29.02 \$29.30	\$24.57 \$29.02 \$29.30	\$23.00	\$23.00	\$26.50 \$27.01	\$26.50 \$27.01
Valuation per right	\$10.06 \$16.16 \$15.01	\$23.18 \$27.69 \$28.03	\$9.07	\$20.65	\$8.23 \$8.08	\$23.19 \$23.83

(i) Market performance measures, such as relative TSR, must be incorporated into the option-pricing model valuation used for the AEIP performance rights, which is reflected in the valuation per performance right. Non-market vesting conditions such as ROCE and strategic measures are not taken into account when determining the value of the performance right. This explains the higher valuation for these performance rights. However, the value of the ROCE measures may be discounted during the performance period to reflect the Board's assessment of the probability of the number of equity instruments that will vest based on progress against the performance measures. Table 9 reflects these values.

(ii) The majority of Senior Executive awards are made in April of each year, with the MD & CEO's awards were made after shareholder approval was obtained at the Annual General Meeting held in May. Approval of Mr Halliday's 2020 award was not sought as he was Interim CEO and not a Managing Director at this time. In 2021 an AEIP performance rights grant was made to Mr Barnes upon commencement.

Directors' Report continued

Remuneration Report continued

8. Non-executive Director remuneration

Summary of 2021 Non-executive Director fees

NED fees are fixed and do not have any variable components. The Chairman receives a fee for chairing the Ampol Limited Board and is not paid any other fees. Other NEDs receive a base fee and additional fees for Committee chairmanship and membership, except for the Nomination Committee where no additional fee is paid.

NEDs base fees did not change in 2021 and no changes to NED fees are anticipated in 2022.

Superannuation contributions were made consistent with the Superannuation Guarantee. No additional retirement benefits were paid.

Fees paid to NEDs are subject to a maximum annual NED fee pool of \$2.5 million (including superannuation). The fee pool was approved by shareholders at the 2016 Annual General Meeting and is unchanged since that time.

Our approach to Non-executive Director fees

Ampol's business and corporate operations are managed under the direction of the Board. The Board oversees the performance of Ampol's management in seeking to deliver superior business performance and long-term growth in shareholder value. The Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Under the Ampol Constitution and the ASX Listing Rules, the total annual fee pool for NEDs is approved by shareholders. Within this aggregate amount, NED fees are reviewed by the Human Resources Committee, considering recommendations from an independent remuneration consultant, and set by the Board.

Fees for NEDs are set at a level to attract and retain directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for Ampol's business. The Board seeks to attract directors with different skills, experience, expertise and diversity. Additionally, when setting NED fees, the Board considers factors such as external market data on fees and the size and complexity of Ampol's operations.

The NEDs' fees are fixed, and NEDs do not participate in any Ampol incentive plan.

Table 14. 2021 Non-executive Director fees

The following table outlines the 2021 NED fees.

	Board		Committees ⁽ⁱ⁾	
	Chairman	Member	Committee Chairman	Member
2021 fee ⁽ⁱⁱ⁾	\$502,207	\$167,403	\$46,000	\$20,000

(i) Comprising the Audit Committee, Human Resources Committee, and Safety and Sustainability Committee. No fees are paid to the Chair or members of the Nomination Committee.

(ii) Ampol paid superannuation consistent with the Superannuation Guarantee for NEDs in addition to the above fees in 2021.

Directors' Report continued

Remuneration Report continued

8. Non-executive Director remuneration continued

Non-executive Director remuneration

Table 15. Non-executive Director fees in 2021 (statutory disclosures)

The following table sets out the audited NED fees in 2020⁽ⁱ⁾ and 2021, calculated in accordance with statutory accounting requirements and which reflect the actual remuneration received during the financial year. NEDs are not eligible to receive any cash or equity-based incentives.

	Salary and fees	Superannuation ⁽ⁱⁱ⁾	Total
Current Non-executive Directors			
Steven Gregg (Chairman)			
2021	502,207	48,965	551,172
2020	477,097	45,324	522,421
Mark Chellew			
2021	207,403	20,222	227,625
2020	197,033	18,718	215,751
Melinda Conrad ^(iv)			
2021	224,168	21,855	246,023
2020	197,253	18,718	215,971
Elizabeth Donaghey ^(v)			
2021	69,134	6,913	76,048
2020	–	–	–
Michael Ihlein ^{(iii)(vi)}			
2021	256,160	–	256,160
2020	133,915	6,652	140,567
Gary Smith ^(vii)			
2021	207,403	20,222	227,625
2020	114,072	10,837	124,909
Penny Winn			
2021	233,403	22,757	256,160
2020	221,733	21,065	242,798
Former Non-executive Directors			
Barbara Ward AM ^(viii)			
2021	86,367	8,183	94,550
2020	222,139	21,065	243,204

(i) In 2020, NED fees were reduced by 20% for a period of three months to assist in the organisational response to COVID-19.

(ii) Superannuation contributions are made on behalf of NEDs to satisfy Ampol's obligations under the Superannuation Guarantee legislation. Fees paid to NEDs may be subject to fee sacrifice arrangements for superannuation.

(iii) These NEDs were provided a superannuation guarantee employer shortfall exemption from the Australian Tax Office and were provided employer superannuation contributions as a cash allowance for part of the year.

(iv) Ms Conrad was appointed Chair of the Human Resources Committee effective 13 May 2021.

(v) Ms Donaghey was appointed to the Board as an Independent, Non-executive Director effective 1 September 2021.

(vi) Mr Ihlein was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.

(vii) Mr Smith was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.

(viii) Ms Ward AM retired from the Board as an Independent, Non-executive Director effective 13 May 2021.

Directors' Report continued

Remuneration Report continued

8. Non-executive Director remuneration continued

Shareholdings of Key Management Personnel

Table 16: Shareholdings of Key Management Personnel

The movement during the reporting period in the number of shares of Ampol Limited held directly or indirectly by each KMP, including their personally related entities, is in the following table.

Each NED is required to hold an interest in shares in Ampol with a market value no less than their Board base fee, within three years of appointment to the Board. A minimum shareholding requirement is also in place for current Senior Executives (refer to section 5).

	Held at 31 Dec 2020	Purchased	Vested	Sold	Held at 31 Dec 2021 ⁽ⁱ⁾
Current Directors					
Steven Gregg	6,000	10,000	–	–	16,000
Mark Chellew	1,400	5,500	–	–	6,900
Melinda Conrad	8,000	–	–	–	8,000
Elizabeth Donaghey ⁽ⁱⁱ⁾	–	1,600	–	–	1,600
Michael Ihlein ⁽ⁱⁱⁱ⁾	–	7,720	–	–	7,720
Gary Smith ^(iv)	–	2,150	–	–	2,150
Penny Winn	5,911	1,550	–	–	7,461
Former Directors					
Barbara Ward AM ^(v)	6,500	–	–	–	6,500
Current Senior Executives					
Matthew Halliday	32,536	3,688	28,095	–	64,319
Greg Barnes ^(vi)	–	7,500	–	–	7,500
Andrew Brewer ^(vii)	17,063	–	581	–	17,644
Brent Merrick ^(viii)	874	–	–	–	874
Joanne Taylor	4,249	–	1,082	–	5,331
Former Senior Executives					
Jeff Etherington ^(ix)	4,712	–	652	–	5,364

(i) The shareholdings for any former Directors or former Senior Executives are as at the date they ceased employment or retired from their office.

(ii) Ms Donaghey was appointed to the Board as an Independent, Non-executive Director effective 1 September 2021.

(iii) Mr Ihlein was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.

(iv) Mr Smith was appointed to the Board as an Independent, Non-executive Director effective 1 June 2020.

(v) Ms Ward AM retired from the Board as an Independent, Non-executive Director effective 13 May 2021.

(vi) Mr Barnes was appointed Group Chief Financial Officer effective 1 July 2021.

(vii) Mr Brewer was appointed Executive General Manager, Infrastructure effective 1 December 2020.

(viii) Mr Merrick was appointed Executive General Manager, Commercial effective 28 September 2020. Mr. Merrick received vested share rights in cash.

(ix) Mr Etherington remains employed with Ampol but ceased in the KMP role of Interim Chief Financial Officer effective 30 June 2021.

Other Key Management Personnel transactions

Apart from as disclosed in the indemnity section of the Directors' Report, no KMP have entered into a material contract, loan or other transaction with any entity in the Ampol Group during the year ended 31 December 2021 (2020: nil).

Directors' Report continued

Remuneration Report continued

8. Non-executive Director remuneration continued

Board and Committee meetings

The Ampol Board met 17 times during the year ended 31 December 2021. In addition, Directors attended Board strategy sessions and workshops, and special purpose Committee meetings during the year.

The number of Board and Committee meetings attended by each Director during 2021 are set out in the following table.

Table 17: Board and Committee meetings

Director ⁽ⁱ⁾	Board ⁽ⁱⁱ⁾		Audit Committee		Human Resources Committee		Nomination Committee		Safety and Sustainability Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Current Directors										
Steven Gregg	17	17	–	–	–	–	1	1	–	–
Matthew Halliday	17	17	–	–	–	–	–	–	–	–
Mark Chellew	17	16	–	–	5	5	1	1	4	4
Melinda Conrad	17	17	7	7	5	5	1	1	–	–
Michael Ihlein ⁽ⁱⁱⁱ⁾	17	17	7	7	1	1	1	1	3	3
Gary Smith ^(iv)	17	17	1	1	4	4	1	1	4	4
Elizabeth Donaghey ^(v)	4	4	–	–	1	1	–	–	1	1
Penny Winn	17	17	7	7	–	–	1	1	4	4
Former Directors										
Barbara Ward AM ^(vi)	5	5	3	3	2	2	1	1	–	–

- (i) All Directors are invited to (and regularly attend) Committee meetings; this table lists attendance only where a Director is a member of the relevant Committee. A number of Directors also participated in Board Committees convened for special purposes.
- (ii) Includes out of session meetings but excludes strategy workshops and briefings.
- (iii) Mr Ihlein was appointed as Human Resources Committee member and ceased to be a member of the Safety and Sustainability Committee effective 18 October 2021.
- (iv) Mr Smith was appointed as Audit Committee member, and ceased to be a member of the Human Resources Committee effective 18 October 2021.
- (v) Ms Donaghey attended all Board and Committee meetings where she is a member of the relevant Committee from the time of appointment as Independent, Non-executive Director effective 1 September 2021.
- (vi) Ms Ward AM retired from the Board as an Independent, Non-executive Director effective 13 May 2021.

Directors' Report continued

Remuneration Report continued

8. Non-executive Director remuneration continued

Shares and interests

The total number of ordinary shares on issue at 31 December 2021 was 238,302,099 shares (2020: 249,706,947 shares on issue). The total number of rights on issue at the date of this report is 1,349,590 (2020: 1,385,590). 496,350 rights were issued during 2021 (2020: 426,101). 531,616 rights vested or lapsed during the year (2020: 757,022). On vesting, Ampol is required to allocate one ordinary share for each right. For each right that vests, Ampol intends to purchase a share on market.

Directors' interests

The Directors' relevant interests in the shares of Ampol Limited at 31 December 2021 are set out in the following table.

Table 18: Directors interests

Director	Shareholding	Nature of interest
Steven Gregg	16,000 shares	Indirect interest
Matthew Halliday	64,319 shares 202,125 performance rights	Direct interest Direct interest
Mark Chellew	6,900 shares	Indirect interest
Melinda Conrad	8,000 shares	Indirect interest
Elizabeth Donaghey	1,600 shares	Direct Interest
Michael Ihlein	7,720 shares	Indirect interest
Gary Smith	2,150 shares	Indirect interest
Penny Winn	7,461 shares	Indirect interest
Former Directors⁽ⁱ⁾		
Barbara Ward AM	6,500 shares	Direct interest

(i) The shareholdings for any Former Directors are as at the date they ceased employment or retired from their office.

None of the above Directors have acquired or disposed of any relevant interests in the Company's shares in the period from 1 January 2022 to the date of this Annual Report.

Directors' Report continued

Remuneration Report continued

9. Appendix: Consideration of the government fuel security package

Following comprehensive management analysis and constructive engagement with the Government, Ampol determined to keep the Lytton refinery open to support Australia in its dual objectives of fuel security and an orderly transition to renewable energy sources.

This Appendix sets out the background and principles the Board has used, and will use in future, to assess the extent to which incentive outcomes are appropriate in light of any payments received under the Fuel Security Act 2021. These principles were also applied to the treatment of the Temporary Refinery Production Payment in 2021.

Australia's Fuel Security Package

The decision to continue operating at the Lytton refinery was confirmed by a comprehensive fuel security package (Security Package) which has been legislated in the new [Fuel Security Act 2021](#).

The Security Package is a multi-year arrangement that helps underpin the viability of Australia's transport fuel refining industry including Ampol's Lytton refinery over the medium term, as well as supporting investment in infrastructure upgrades that will deliver the manufacture of cleaner fuels.

The Security Package has three key components:

- The potential to receive a variable Fuel Security Services Payment (FSSP) for six years up until mid-2027 (with Ampol having an option to extend for another three years). The FSSP is structured to provide a variable payment when refining margins are low, and no payment when refining margins are high, reducing volatility for refiners and ensuring payments are targeted to the times they are most needed,
- Grants for infrastructure upgrades at refineries to bring forward the introduction of better fuels from 2027 to 2024, and
- Support in the design and implementation of Minimum Stockholding Obligations (MSO) aligned with overall fuel security.

Multi-year variable Fuel Security Services Payment

The FSSP is a partnership that has been negotiated with the Australian Government, helping Australia meet the dual objectives of fuel security and energy transition. Payments under the partnership will only be received in periods of low refiner margins.

In 2021, Ampol did not receive any payments as part of the FSSP.

Temporary Refinery Production Payment

Separate to FSSP, in late 2020, the Federal Government announced that it would bring forward short-term and temporary refinery production payments to 1 January 2021. The Temporary Refinery Production Payment (TRPP) represents a minimum one cent payment for each litre of primary transport fuel (petrol, diesel, and jet fuel) from the major domestic refineries who continued operations in Australia. For 1H 2021, the TRPP effectively mirrored the long-term intentions of the FSSP.

It was only once we had completed our comprehensive Refinery Review and announced our decision to continue operations at Lytton in May 2021, that the \$40m payment under the TRPP was made (representing \$28m after tax).

Principles used in the consideration of the government fuel security package

Given the Security Package is a multi-year arrangement, each year the Board will assess the extent to which the incentive outcomes are appropriate in light of any payments received and will exercise discretion as appropriate. In reviewing incentive outcomes, the Board has adopted the following principles to guide its decision making. It will consider:

- **Principle 1:** Ampol's achievement towards the dual objectives of program being fuel security and energy transition as agreed with the Government.
- **Principle 2:** Management's contribution to the broader performance of the Company and Lytton refinery to ensure there is no unintended windfall gain or loss (perceived or real) arising from receiving Australian Government financial support.
- **Principle 3:** The materiality of any payment received (or otherwise) – the greater the financial payment provided by the Government, the greater need for the Board to focus on whether any judgement should be applied to adjust incentive outcomes.
- **Principle 4:** Evolving stakeholder views across the Government, employees, community, and shareholders as to impact of the Security Package.

Directors' Report continued

Remuneration Report continued

9. Appendix: Consideration of the government fuel security package continued

2021 assessment against the principles

In 2021 the Board applied these principles and after careful consideration, determined that the \$28 million received through the TRPP in 2021 will remain included in the RCOP NPAT result (\$355 million) for the following reasons:

Principle 1: There are strong indicators of Ampol's achievement towards the dual objectives:

Fuel Security

- Continuation of operations at Lytton allows us to process Australian based crude, therefore acting as an independent supply line with a significantly shorter timeframe to distribute finished product when compared to the importation of product.
- Continued productive collaboration with the Australian Government on the MSO.

Energy Transition

- Commitment to spend a minimum of \$100 million on future energy and decarbonisation projects by 2025. In 2021, four test and learn partnerships were implemented.
- Strong progress in our program of work to ultimately produce ultra-low sulphur fuel, which will allow for lower emissions from vehicles and wider optionality for Australian motorists as we transition to alternative transport fuel sources.

Principle 2: Management has contributed to the broader performance of the Company and Lytton refinery:

- Lytton has delivered a strong result in both volume yield and mechanical availability when comparing 2021 to historical refining periods, and to broader industry.

Principle 3: The materiality of the payment is low:

- The \$28 million impact on RCOP NPAT received through the TRPP relates to a lower refining margin period in 1H 2021 and is at the low-end of the scale of the equivalent potential Australian Government support under the FSSP. Lytton delivered strong earnings in 2H 2021 and received no support through the FSSP.

Principle 4: Ampol's key stakeholders are supportive of the keeping the refinery open:

- **Government:** The Security Package was legislated with bi-partisan support. It assists with the recovery from the pandemic whilst keeping manufacturing jobs in Australia.
- **Community:** Lytton refinery is being used as a pilot plant for the production of green hydrogen and therefore supporting Australia in meeting climate change objectives.
- **Employees:** Provides continued employment to 550 manufacturing jobs and many more indirectly.
- **Shareholders:** Significantly reduces earnings volatility and downside risk while retaining full benefit to earnings upside. This negotiated arrangement enhances shareholder value, while retaining the optionality to transition the strategically located site to alternative uses in the future.

Directors' Report continued

Non-audit services

KPMG is the external auditor.

In 2021, KPMG performed non-audit services for Ampol in addition to its statutory audit and review engagements for the full year and half year.

KPMG received, or was due to receive, the following amounts for services performed for Ampol during the year ended 31 December 2021:

- for audit and review services – total fees of \$2,096,000 (2020: \$1,666,800);
- for assurance services – total fees of \$148,500 (2020: \$41,600); and
- for other services – total fees \$17,400 (2020: \$574,000).

The Board has received written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2021. The advice was made in accordance with a resolution of the Audit Committee.

The Directors are satisfied that:

- the provision of non-audit services to the Ampol Group during the year ended 31 December 2021 by KPMG is compatible with the general standard of independence for auditors imposed by the Corporations Act; and
- the provision of non-audit services during the year ended 31 December 2021 by KPMG did not compromise the auditor independence requirements of the Corporations Act for the following reasons:
 - the provision of non-audit services in 2021 was consistent with the Board's policy on the provision of services by the external auditor;
 - the non-audit services provided in 2021 are not considered to be in conflict with the role of external auditor and
 - the Directors are not aware of any matter relating to the provision of the non-audit services in 2021 that would impair the impartial and objective judgement of KPMG as external auditor.

Company Secretary

The following person is the current Company Secretary of Ampol as at the date of this report:

Michael Abbott

Michael Abbott was appointed to this position in February 2021. He is responsible for risk, audit, legal, secretariat and government affairs.

Prior to joining Ampol, Michael spent 15 years at Woodside Energy, holding a variety of senior roles, including Senior Vice President, Corporate and Legal, where he was responsible for multiple corporate disciplines, including government affairs, emergency management, audit, governance, as well as business climate and economic outlook. Before Woodside, Michael spent 13 years working as a private practice lawyer in Australia and Hong Kong.

Michael holds a Bachelor of Law and Arts and a Master of Business Administration from the University of Western Australia.

Indemnity and Insurance

Ampol has paid insurance premiums for Directors' and officers' liability for current and former Directors and officers of the Company, its subsidiaries and related entities.

The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

The Constitution provides that each officer of the Company and, if the Board considers it appropriate, any officer of a subsidiary of the Company be indemnified out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or the subsidiary (as the case may be) or in or arising out of the discharge of the duties of the officer, unless incurred in circumstances that the Board resolves do not justify indemnification.

Where the Board considers it appropriate, the Company may execute a documentary indemnity in any form in favour of any officer of the Company or a subsidiary of the Company, provided that such terms are not inconsistent with the Constitution. For more information, refer to the Constitution on the Ampol website.

Rounding of amounts

Ampol Limited is an entity to which the Australian Securities and Investments Commission Corporations Instrument 2016/191 applies. Amounts in the 2021 Directors' Report and the 2021 Financial Report have been rounded off to the nearest hundred thousand dollars (unless otherwise stated) in accordance with that instrument.

The Directors' Report is made in accordance with a resolution of the Board of Ampol Limited.



Steven Gregg

Chairman



Matthew Halliday

Managing Director & Chief Executive Officer

Sydney, 21 February 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ampol Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Ampol Limited for the financial year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Julian McPherson'.

KPMG

Julian McPherson
Partner

Sydney
21 February 2022

Directors' Declaration

In the opinion of the Directors of Ampol Limited (the Company):

- a) the Financial Statements and notes that are contained in pages 81 to 135 and the Remuneration Report set out on pages 43 to 73 are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, and the Corporations Regulations 2001.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- c) at the date of this declaration, there are reasonable grounds to believe that the companies in the Ampol Group that are parties to the Deed of Cross Guarantee as identified in Note F1 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note F1, and
- d) a statement of compliance with International Financial Reporting Standards has been included in note A to the Financial Statements for the year ended 31 December 2021.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and CEO and the Group Chief Financial Officer for the financial year ended 31 December 2021.

Signed in accordance with a resolution of the Directors:



Steven Gregg
Chairman



Matthew Halliday
Managing Director & Chief Executive Officer
Sydney, 21 February 2022



Independent Auditor's Report

To the shareholders of Ampol Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Ampol Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The **Financial Report** comprises:

- Consolidated balance sheet as at 31 December 2021
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and consolidated cash flow statement for the year ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Taxation of Singaporean entities
- Site remediation and dismantling provisions

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Taxation of Singaporean entities (A\$208.7m)	
Refer to Note E1 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group's determination as to whether the earnings from its Singaporean entities are subject to income tax in Australia is a key audit matter. This is due to the judgement required in assessing the Group's current estimate of taxation amounts, which required senior audit team member and tax specialist involvement. The critical elements of this were:</p> <ul style="list-style-type: none"> • The significant uncertainty surrounding the timing of resolution of the matter with the Australian Taxation Office (ATO) and the final tax rate that will be levied in respect of the Group's Singaporean entities' earnings; and • The judgement in the Group's current estimate of taxation by applying the Australian income tax rate of 30% to the Singaporean entities' earnings, which may differ to the final tax that applies if the income is deemed to be non-assessable or only partially assessable in Australia. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Working with our tax specialists to evaluate the estimate by: <ul style="list-style-type: none"> ○ reading documentation received from the ATO as well as documentation prepared by the Group's internal and external advisors; and ○ updating our understanding of the issue, including the current status of discussions with the ATO, expected timing for resolution and the extent of any potential changes to the estimate. • Evaluating the disclosures of the Group, in particular disclosure of potential adjustments to future period income tax expense, by comparing them to our understanding of the matter.
Site remediation and dismantling provisions (A\$518.1m)	
Refer to Note C6 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group's determination of the site remediation and dismantling provisions is considered a key audit matter. This is due to the inherent complexity in estimating the amounts and timing of future remediation and dismantling costs, particularly those forecast to be incurred several years in the future.</p> <p>This is influenced by:</p> <ul style="list-style-type: none"> • Current environmental, regulatory and contractual requirements and the impact of the completeness of environmental remediation activities incorporated into the provision estimate; • The expected environmental management strategy and the nature of costs incorporated into the provision estimate; • Third party expert advice obtained by management regarding their obligations and estimates of future costs; • Historical experience, and whether this is a reasonable predictor when evaluating forecast costs; and 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Assessing the consistency of the basis for recognition and measurement of the provisions with environmental and regulatory requirements, contractual lease terms and the requirements of the accounting standards; • Reading the Group's board minutes, litigation register, third party expert advice and correspondence with regulatory authorities to identify legal environmental obligations and checking these were appropriately considered in the determination of the provisions; • Recalculating the mathematical accuracy for a sample of the provision calculations; • Comparing the expected timing of remediation work against the Group's remediation plans or expected period of site operation which was determined with reference to the useful life of underlying site assets or site lease term;



<ul style="list-style-type: none"> ● The expected timing of the expenditure. 	<ul style="list-style-type: none"> ● Working with our environmental specialists, we: <ul style="list-style-type: none"> ○ evaluated the scope, competence, experience and objectivity of the Group's internal and external experts; ○ assessed the nature and quantum of cost estimates in third party expert advice, including contingency levels, against the industry guidelines and standard practice; ○ corroborated a sample of estimates used in the provision calculations to underlying evidence such as third party support and actual expenditure incurred by the Group. ● Performing sensitivity analysis over key estimates and assumptions, including discount rate and inflation rate by making changes that we consider reasonably possible to assess the impact on the provision determined by management.
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Other Information

Other Information is financial and non-financial information in Ampol Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Ampol Limited for the year ended 31 December 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 47 to 69 of the Directors' report for the year ended 31 December 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Julian McPherson

Partner

Sydney

21 February 2022

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Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2021

Millions of dollars	Note	2021	2020
Revenue	B1	21,629.9	15,409.1
Cost of goods sold – historical cost		(19,389.8)	(14,203.3)
Gross profit		2,240.1	1,205.8
Other income	B1	53.3	28.0
Other expenses	B2	(50.4)	(434.8)
Net foreign exchange gain		13.6	39.1
Selling and distribution expenses		(1,150.3)	(1,125.7)
General and administration expenses		(207.8)	(339.6)
Profit/(loss) from operating activities		898.5	(627.2)
Finance costs		(113.1)	(109.7)
Finance income		0.4	0.6
Net finance costs	B2	(112.7)	(109.1)
Share of net profit of entities accounted for using the equity method	F3	11.3	10.7
Profit/(loss) before income tax expense		797.1	(725.6)
Income tax (expense)/benefit	E1	(199.6)	245.8
Net profit/(loss)		597.5	(479.8)
Profit/(loss) attributable to:			
Equity holders of the parent entity		560.0	(484.9)
Non-controlling interest	F6	37.5	5.1
Net profit/(loss)		597.5	(479.8)
Basic and diluted historical earnings/(loss) per share			
Cents per share - basic	B4	234.2	(194.2)
Cents per share - diluted	B4	233.5	(194.2)

The Consolidated Income Statement is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2021

Millions of dollars	Note	2021	2020
Profit/(loss) for the period		597.5	(479.8)
Other comprehensive income			
Items that will not be reclassified to income statement:			
Actuarial gain/(loss) on defined benefit plans		3.5	(0.4)
Tax (expense)/benefit on items that will not be reclassified to income statement	E2.2	(1.1)	0.1
Total items that will not be reclassified to income statement		2.4	(0.3)
Items that may be reclassified subsequently to income statement:			
Foreign operations – foreign currency translation differences		40.6	(13.7)
Net change in fair value of net investment hedges		-	1.6
Effective portion of changes in fair value of cash flow hedges		106.7	24.0
Net change in fair value of cash flow hedges reclassified to income statement		(88.8)	(22.1)
Tax on items that may be reclassified subsequently to income statement		(5.4)	(2.0)
Total items that may be reclassified subsequently to income statement		53.1	(12.2)
Other comprehensive income/(loss) for the period, net of income tax		55.5	(12.5)
Total comprehensive income/(loss) for the period		653.0	(492.3)
Attributable to:			
Equity holders of the parent entity		615.5	(497.4)
Non-controlling interest	F6	37.5	5.1
Total comprehensive income/(loss) for the period		653.0	(492.3)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2021

Millions of dollars	Note	2021	2020 ⁽ⁱ⁾
Current assets			
Cash and cash equivalents		566.3	367.6
Trade and other receivables	C1	1,576.2	936.1
Inventories	C2	2,064.9	1,354.3
Total current assets		4,207.4	2,658.0
Non-current assets			
Trade and other receivables	C1	41.5	46.0
Investments accounted for using the equity method	F3	184.0	177.2
Intangibles	C3	506.3	558.4
Property, plant and equipment	C4	3,564.7	3,467.7
Deferred tax assets	E2	344.2	453.8
Employee benefits		5.6	2.9
Total non-current assets		4,646.3	4,706.0
Total assets		8,853.7	7,364.0
Current liabilities			
Payables	C5	2,370.2	1,535.2
Interest-bearing liabilities	D1	159.6	160.2
Current tax liabilities		129.6	90.7
Employee benefits		129.8	98.9
Provisions	C6	104.9	178.7
Total current liabilities		2,894.1	2,063.7
Non-current liabilities			
Payables	C5	12.8	16.0
Interest-bearing liabilities	D1	2,104.0	1,555.5
Deferred tax liabilities	E2	21.0	9.7
Employee benefits		5.1	6.1
Provisions	C6	469.9	488.3
Total non-current liabilities		2,612.8	2,075.6
Total liabilities		5,506.9	4,139.3
Net assets		3,346.8	3,224.7
Equity			
Issued capital	D6	479.7	502.6
Treasury stock		(1.5)	(1.6)
Reserves	D7	65.5	5.6
Retained earnings		2,531.0	2,444.5
Total parent entity interest		3,074.7	2,951.1
Non-controlling interest	F6	272.1	273.6
Total equity		3,346.8	3,224.7

(i) The prior period has been restated to reflect changes made in the current period to current and non-current classifications. Refer to Note A4 for further information on the reclassification of Long Service Leave Liabilities.

The Consolidated Balance Sheet is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

Millions of dollars	Issued capital	Treasury Stock	Reserves ⁽ⁱ⁾	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2021	502.6	(1.6)	5.6	2,444.5	2,951.1	273.6	3,224.7
Change in accounting policy ⁽ⁱⁱ⁾	-	-	-	(19.7)	(19.7)	-	(19.7)
Restated balance at 1 January 2021	502.6	(1.6)	5.6	2,424.8	2,931.4	273.6	3,205.0
Profit for the year	-	-	-	560.0	560.0	37.5	597.5
Total other comprehensive income	-	-	53.1	2.4	55.5	-	55.5
Total comprehensive income for the year	-	-	53.1	562.4	615.5	37.5	653.0
Acquisition of minority interest, net of tax	-	-	3.5	-	3.5	(3.5)	-
Proceeds from non-controlling interest purchase of units in Ampol Property Trust	-	-	-	-	-	6.0	6.0
Ampol Property Trust - distribution	-	-	-	-	-	(40.3)	(40.3)
Own shares acquired	-	(2.4)	-	-	(2.4)	-	(2.4)
Shares vested to employees, net of tax	-	2.5	(1.8)	-	0.7	-	0.7
Expense on equity settled transactions, net of tax	-	-	5.1	-	5.1	-	5.1
Shares bought back ⁽ⁱⁱⁱ⁾	(22.9)	-	-	(277.5)	(300.4)	-	(300.4)
Dividends to shareholders	-	-	-	(178.7)	(178.7)	(1.2)	(179.9)
Balance at 31 December 2021	479.7	(1.5)	65.5	2,531.0	3,074.7	272.1	3,346.8
Balance at 1 January 2020	502.6	(2.0)	19.4	2,737.0	3,257.0	13.5	3,270.5
(Loss)/profit for the year	-	-	-	(484.9)	(484.9)	5.1	(479.8)
Total other comprehensive (loss)/income	-	-	(12.2)	(0.3)	(12.5)	-	(12.5)
Total comprehensive (loss)/income for the year	-	-	(12.2)	(485.2)	(497.4)	5.1	(492.3)
Ampol Property Trust - Divestment of minority interest, net of tax	-	-	-	382.5	382.5	256.2	638.7
Ampol Property Trust - distribution	-	-	-	-	-	(1.2)	(1.2)
Own shares acquired	-	(0.4)	-	-	(0.4)	-	(0.4)
Shares vested to employees, net of tax	-	0.8	(0.2)	-	0.6	-	0.6
Expense on equity settled transactions, net of tax	-	-	(1.4)	-	(1.4)	-	(1.4)
Dividends to shareholders	-	-	-	(189.8)	(189.8)	-	(189.8)
Balance at 31 December 2020	502.6	(1.6)	5.6	2,444.5	2,951.1	273.6	3,224.7

(i) Refer to Note D7 for further information.

(ii) Adjustment on application of the IFRS Interpretation Committee decision on cloud computing arrangements, refer to Note A4 for further details.

(iii) 11,404,848 shares were bought back during the year ended 31 December 2021.

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2021

Millions of dollars	Note	2021	2020
Cash flows from operating activities			
Receipts from customers		28,642.9	23,267.0
Payments to suppliers, employees and governments		(27,865.4)	(22,845.0)
Shares acquired for vesting employee benefits		(2.4)	(0.4)
Dividends and distributions received		2.0	1.8
Interest received		0.4	0.3
Finance costs paid		(49.8)	(43.7)
Lease interest		(54.9)	(57.2)
Income taxes paid		(38.2)	(55.2)
Net operating cash inflows	G5.2	634.6	267.6
Cash flows from investing activities			
Net proceeds from sale of investments		-	24.8
Proceeds from sale of non-controlling interest in Ampol Property Trust		-	682.0
Transaction costs from sale of non-controlling interest in Ampol Property Trust		-	(26.8)
Purchase of investment in associate	F3.1	(1.5)	-
Purchases of property, plant and equipment		(272.9)	(140.3)
Major cyclical maintenance		(34.0)	(64.4)
Purchases of intangibles		(17.3)	(21.9)
Proceeds from sale of property, plant and equipment, net of selling costs		6.5	9.2
Net investing cash (outflows)/inflows		(319.2)	462.6
Cash flows from financing activities			
Proceeds from borrowings		8,429.8	9,675.9
Repayments of borrowings		(7,929.8)	(9,769.0)
Repayment of lease principal		(106.3)	(107.7)
Payments for shares bought back		(300.4)	-
Proceeds from non-controlling interest purchase of units in Ampol Property Trust	F6	6.0	-
Distributions/dividends paid to non-controlling interest	F6	(41.5)	(1.2)
Dividends paid	B5	(178.7)	(189.8)
Net financing cash outflows		(120.9)	(391.8)
Net increase in cash and cash equivalents		194.5	338.4
Effect of exchange rate changes on cash and cash equivalents		4.2	(5.8)
Increase in cash and cash equivalents		198.7	332.6
Cash and cash equivalents at the beginning of the period		367.6	35.0
Cash and cash equivalents at the end of the period	G5.1	566.3	367.6

The Consolidated Cash Flow Statement is to be read in conjunction with the notes to the Financial Statements.

Notes to the Financial Statements

A Overview

FOR THE YEAR ENDED 31 DECEMBER 2021

A1 Reporting entity

Ampol Limited ("Ampol" or the "Company") is a for-profit company, incorporated and domiciled in Australia. The Consolidated Financial Statements for the year ended 31 December 2021 comprise the Company and its controlled entities (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores.

A2 Basis of preparation

The financial report was approved by the Ampol Board on 21 February 2022.

The financial report has been prepared as a general-purpose financial report and complies with the requirements of the *Corporations Act 2001* (Cth) (Corporations Act) and Australian Accounting Standards (AASBs). The financial report also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial report is prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value, and the defined benefit liability, which is recognised as the net total of the plan assets, plus unrecognised past service costs less the present value of the defined benefit obligation.

The financial report is presented in Australian dollars, which is the Group's functional currency.

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 24 March 2016. In accordance with that Instrument, amounts in the financial report and Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

The Group has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2022 have not been applied in preparing this financial report. Refer to Note G8.

A3 Use of judgement and estimates

The preparation of a Consolidated Financial Report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have a significant effect on the Consolidated Financial Report and estimates with a significant risk of material adjustment in future financial years are found in the following notes:

- Information about the assumptions and the risk factors relating to impairment is provided in notes C1 (Receivables), C3 (Intangibles) and C4 (Property, Plant and Equipment).
- Note C4 (Property, Plant and Equipment) includes disclosure of the key assumptions and sources of estimates related to lease liabilities.
- Note C6 provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions.
- Note D2 provides an explanation of the foreign exchange, interest rate, credit risk and commodity price exposures of the Group and the risk in relation to foreign exchange, interest rate, credit risk and commodity price movements.
- Note E1 provides information around the extent to which earnings from the Group's Singaporean entities may be subject to income tax in Australia.

A4 Changes in significant accounting policies

Government grants

The introduction of the Temporary Refinery Production Package (TRPP) for Lytton refinery and the Australian Renewable Energy Agency (ARENA) grant relating to the roll out of EV charging stations has led to the receipt of government grants in the current reporting period. Consequently, the accounting treatment applied to government grants, *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance*, is now considered a significant accounting policy of the Group.

Notes to the Financial Statements

A Overview continued

FOR THE YEAR ENDED 31 DECEMBER 2021

A4 Changes in significant accounting policies continued

Government grants continued

The Group recognises grants only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received.

Government grant related to income

The TRPP grant was a one-off grant to assist refiners in the peak of COVID-19 and its impact on production and operating profits. The receipt of this grant has been recognised as income over the period in which the related costs or revenue shortfall, for which they are intended to compensate, are recognised. The Group presents these government grants separately in 'other income'. A consistent approach will be taken should the Group receive any grants under the Fuel Security Services Payment, which would be provided to the Group should Australian dollar refining margins fall below the Government's external marker margin.

Government grant related to assets

The Group may present government grants related to assets in the statement of financial position as either deferred income and amortised to the Consolidated Income Statement over the asset's useful life or as a reduction to the capital cost of the asset, reducing depreciation recorded over the asset's useful life. The Group has elected to treat the ARENA grant of \$7 million, which is a grant to support the rollout of EV charging stations to Ampol forecourts, as a reduction to the capital cost of the assets.

Cloud computing arrangements

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, "Configuration or Customisation Costs in a Cloud Computing Arrangement". The decision clarified whether configuration or customisation expenditure relating to cloud computing arrangements could be recognised as an intangible asset, and if not, over what time period the expenditure should be expensed.

During the period, the Company revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements in response to the IFRIC agenda decision. The new accounting policy is presented below.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Costs related to access, configuration, and customisation of cloud computing arrangements are recognised as an operating expense.

Impact on adoption

Historically, the Group's accounting policy has been to capitalise costs related to cloud computing configuration and customisation as software intangible assets in the balance sheet. On adoption of the change in policy, the group has concluded that the impact on the financial statements for the year ended 31 December 2020 was immaterial and no adjustment has been made to the comparatives presented in this report. In relation to the adoption of the change in treatment from 1 January 2021 the following adjustments have been made:

Balance Sheet

The capitalised value of costs incurred to implement, customise or configure a cloud provider's application software included in the Group's balance sheet was \$28.2 million at 31 December 2020 (\$27.6 million at 31 December 2019). The Group has recognised the write off of the cumulative capitalised costs as an opening retained earnings adjustment resulting in a decrease in net assets and a decrease in retained earnings as at 1 January 2021 of \$19.7 million after tax (\$28.2 million before tax).

Income Statement

For the 31 December 2021 year the change in policy has resulted in an additional \$3.8 million of costs being expensed and a reduction in amortisation expense of \$3.9 million. In aggregate there has been a net decrease in expenses of \$0.1 million.

Cashflow

Adoption of the new treatment has resulted in a change in classification of expenditure with additions of \$3.9 million that would previously have been classified within 'investing activities' as 'payments for intangibles' reclassified to 'cash payments in the course of operations' within 'operating activities' for the year ended 31 December 2021.

Comparatives

Where applicable, various comparative balances have been reclassified to align with current period presentation.

Employee benefits

Historically, the Group has classified long service leave as either current or non-current based on the amounts which are expected to be settled within 12 months and those expected to be settled beyond the next 12 months. In the current period the Group has presented the current and non-current portions based on the legal obligation that the Group has for services performed up to the balance date. The non-current portion has been measured as the present value of expected future payments to be made in respect of services provided by employees up to period end in accordance with *AASB 119 Employee Benefits*. Accordingly, the comparative information presented for 31 December 2020 has been reclassified to align with current period presentation resulting in an increase in current provisions and a corresponding decrease in non-current provisions of \$33.8 million.

Notes to the Financial Statements

B Results for the year

FOR THE YEAR ENDED 31 DECEMBER 2021

This section highlights the performance of the Group for the year, including revenue and other income, costs and expenses, results by operating segment, earnings per share and dividends.

B1 Revenue and other income

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of consideration received or receivable, net of product duties and taxes, rebates, discounts and allowances.

Gross sales revenue excludes amounts collected on behalf of third parties such as goods and services tax (GST). Sales revenue is recognised when customers gain control, which is the date products are delivered to the customer.

Contracts entered into by the Group for the sale of petroleum are typically priced by reference to quoted prices. In line with market practice, some contracts are based on average prices over a period that is partially or entirely after delivery. Revenue relating to such contracts is recognised initially based on the estimated forward price at the time of delivery and subsequently adjusted as prices are finalised. Whilst these post-delivery adjustments are changed in the value of receivables, the distinction between revenue recognised at the time of delivery and revenue recognised as a result of post-delivery changes in quoted commodity prices relating to the same transaction is not considered to be significant. All revenue from these contracts, both that recognised at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from sale of goods.

For contracts with variable considerations (i.e. changes in market price, quality and quantity variances), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur.

Contract assets

On 5 July 2018, Ampol Limited entered into a new supply agreement for 15 years with a one-off upfront payment of \$50.0 million. This amount has been deferred and recognised against sale of goods over the life of the agreement. The closing balance as at 31 December 2021 in relation to this contract asset is \$38.6 million (2020: \$41.9 million).

Other revenue

Rental income from leased sites is recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Transaction and merchant fees are generated from AmpolCard and credit card transactions processed across the network. Dividend income is recognised at the date the right to receive payment is established.

Other income

Government grants

Refer to Note A4 for details on government grant accounting treatment.

Net gain on disposal of property, plant and equipment and sale of investments

The gain on disposal of property, plant and equipment and sale of investment in joint operations is brought to account at the time that:

- the costs incurred, or to be incurred, in respect of the sale can be measured reliably; and
- the control of ownership of the property, plant and equipment and sale of investment has been transferred to the buyer.

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B1 Revenue and other income continued

Millions of dollars	2021	2020
Revenue		
Sale of goods	21,420.9	15,175.6
Other revenue		
Rental income	19.5	22.0
Transaction and merchant fees	102.9	123.6
Other	86.6	87.9
Total other revenue	209.0	233.5
Total revenue	21,629.9	15,409.1
Other income		
Government assistance – wage support ⁽ⁱ⁾	0.8	6.8
Government assistance - refinery ⁽ⁱⁱ⁾	40.0	-
Net gain on sale of investments	12.5	21.2
Total other income	53.3	28.0

- (i) Relates to COVID-19 government wage support of \$0.8 million (2020: \$6.8 million) received from the Australian and Singapore government programs. In FY20 wage support was received from the Australian, New Zealand and Singapore governments.
- (ii) A total of \$40.0 million was recognised under the Temporary Refinery Production Program during 2021. No amounts were received under the Fuel Security Services Payment program. Refer to Note A4 for further information.

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B2 Costs and expenses

Finance costs are recognised as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the relevant asset. Where borrowings are not specific to an asset, finance costs are capitalised using an average rate based on the general borrowings of the Group.

Millions of dollars	Note	2021	2020
Finance costs			
Interest expense		56.7	43.4
Finance charges on leases		54.9	57.2
Unwinding of discount on provisions		1.6	9.4
Less: capitalised finance costs		(0.1)	(0.3)
Finance costs		113.1	109.7
Finance income		(0.4)	(0.6)
Net finance costs		112.7	109.1
Depreciation and amortisation			
Depreciation of:			
Buildings	C4	14.7	18.2
Leasehold property	C4	146.1	148.1
Plant and equipment	C4	203.1	228.0
		363.9	394.3
Amortisation of:			
Intangibles	C3	17.1	27.9
Total depreciation and amortisation		381.0	422.2
Personnel expenses		578.2	542.3
Other expenses			
Net loss on disposal of property, plant and equipment		15.2	21.4
Impairment of non-current assets	C3, C4	44.2	413.4
Impairment reversal of non-current assets	C4	(9.0)	-
Total other expenses		50.4	434.8

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B3 Segment reporting

B3.1 Segment disclosures

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. These segments align to the areas of the business for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-entity sales are recognised based on an internally set transfer price. Sales between segments are based on arm's length principles appropriate to reflect prevailing market pricing structures at that time. Where possible, relevant import parity pricing is used to determine arm's length pricing between the two segments. Revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the Consolidated Income Statement.

Income taxes and net finance costs are dealt with at a Group level and not within the reportable segments.

The performance of each reportable segment is measured based on segment Replacement Cost of Sales operating profit (RCOP) before interest and income tax excluding significant items. This measurement base excludes the impact of the rise or fall in oil or product prices (key external factors) and presents a clearer picture of the reportable segments' underlying business performance. Segment Replacement Cost of Sales operating profit before interest and income tax (RCOP EBIT) excluding significant items is measured as management believes that such information is most useful in evaluating the performance of the differing internal business units relative to each other, and other like business units in the industry. Segment RCOP EBIT excluding significant items, is also used to assess the performance of each business unit against internal performance measures.

Cost of goods sold measured on a replacement cost basis

Cost of goods sold measured on a replacement cost basis excludes the effect of inventory gains and losses, including the impact of exchange rate movements. Inventory gains or losses arise due to movements in the landed price of crude oil and product prices and represent the difference between the actual historic cost of sales and the current replacement value of that inventory.

The net inventory gain or loss is adjusted to reflect the impact of contractual revenue lags.

Types of products and services

The following summary describes the operations in each of the Group's reportable segments:

Convenience Retail

The Convenience Retail segment includes revenues and costs associated with fuel and shop offerings at Ampol's network of stores, including royalties and franchise fees on remaining franchise stores.

Fuels and Infrastructure

The Fuels and Infrastructure segment includes revenues and costs associated with the integrated wholesale fuels and lubricants supply for the Group, including the Group's international businesses. This includes Lytton refining, Bulk Fuels sales, Trading and Shipping, Infrastructure, Future Energy and the Gull and Seaoil businesses.

Transfer price between segments

The Group operates as a vertically integrated supply chain including trading and shipping, infrastructure, refining and marketing of fuel products in Australia and internationally to customers, including retail service stations. Segment results are based on commercial pricing between segments, most notably Fuels and Infrastructure and Convenience Retail, that is determined by a reference to relevant import parity prices for refining output and other commercial arrangements between the business segments.

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B3 Segment reporting continued

B3.2 Information about reportable segments

Millions of dollars	Convenience Retail		Fuels and Infrastructure		Total operating segments	
	2021	2020	2021	2020	2021	2020
External segment revenue	4,648.4	4,070.2	16,981.5	11,338.9	21,629.9	15,409.1
Inter-segment revenue	-	-	2,839.6	2,176.1	2,839.6	2,176.1
Total segment revenue	4,648.4	4,070.2	19,821.1	13,515.0	24,469.5	17,585.2
Total other income	-	0.3	40.8	27.7	40.8	28.0
RCOP EBIT excluding foreign exchange and significant items ⁽ⁱ⁾	253.7	287.4	372.9	124.5	626.6	411.9
RCOP foreign exchange gain	-	-	44.7	29.9	44.7	29.9
RCOP EBIT excluding significant items⁽ⁱ⁾	253.7	287.4	417.6	154.4	671.3	441.8
Other material items:						
Share of profit of associates and joint ventures	-	-	11.3	10.7	11.3	10.7
Impairment of non-current assets	(21.2)	(305.8)	-	(88.6)	(21.2)	(394.4)
Depreciation and amortisation	(176.3)	(210.2)	(182.3)	(183.4)	(358.6)	(393.6)
Inventory gain	-	-	313.5	(513.8)	313.5	(513.8)
Capital expenditure ⁽ⁱⁱ⁾	(97.6)	(62.1)	(139.5)	(135.1)	(237.1)	(197.2)

B3.3 Reconciliation of reportable segment revenues, profit or loss and other material items

Millions of dollars	2021	2020
Revenues		
Total revenue for reportable segments	24,469.5	17,585.2
Elimination of inter-segment revenue	(2,839.6)	(2,176.1)
Consolidated revenue	21,629.9	15,409.1
Profit or loss		
Segment RCOP EBIT excluding significant items ⁽ⁱ⁾	671.3	441.8
Other expenses	(40.1)	(40.6)
RCOP before interest and income tax, excluding significant items	631.2	401.2
Significant items loss excluded from profit or loss (before tax)	(34.9)	(503.9)

(i) RCOP (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure and is unaudited. It is derived from the statutory profit adjusted for inventory (losses)/gains as management believes this presents a clearer picture of the Group's underlying business performance as it is consistent with the basis of reporting commonly used within the global downstream oil industry. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

(ii) Capital expenditure includes the purchase of Property, Plant and Equipment and purchase of intangible software (excludes intangible rights and licences).

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B3 Segment reporting continued

B3.3 Reconciliation of reportable segment revenues, profit or loss and other material items (continued)

Millions of dollars	2021	2020
RCOP before interest and income tax	596.3	(102.7)
Inventory gain/(loss) before tax	313.5	(513.8)
Consolidated historical cost profit/(loss) before interest and income tax	909.8	(616.5)
Net financing costs	(112.7)	(109.1)
Consolidated profit/(loss) before income tax	797.1	(725.6)
RCOP income tax expense	(116.1)	(75.2)
Significant items tax benefit	10.5	166.9
Inventory tax (expense)/benefit	(94.0)	154.1
Consolidated historical cost income tax (expense)/benefit	(199.6)	245.8
Net profit/(loss)	597.5	(479.8)
Profit/(loss) attributable to:		
Non-controlling interest	37.5	5.1
Equity holders of the parent entity	560.0	(484.9)
Net profit/(loss)	597.5	(479.8)
Significant items excluded from profit or loss reported to the chief operating decision maker:		
Ampol rebranding expense	(51.3)	(65.6)
Other income	0.8	6.8
Impairment of non-current assets	(31.0)	(413.4)
Kurnell remediation provision release	41.9	-
Z Energy acquisition costs	(7.8)	-
Gain on sale of investments	12.5	21.2
Other expenses	-	(36.0)
Higher and Better Use sites	-	(16.9)
Significant items loss excluded from profit or loss (before tax)	(34.9)	(503.9)

Ampol rebranding expense

The Group has recognised an expense of \$51.3 million (2020: \$65.6 million) relating to the rebranding program currently being undertaken to remove Caltex signage and install Ampol branding at the Group's sites. Current period costs include accelerated depreciation \$8.9 million (2020: \$10.8 million) and other operating expenses \$42.4 million (2020: \$8.8 million). In 2020, a provision of \$46.0 million was recognised in relation to the contractual obligation to undertake rebranding work at sites owned by a third party. No work has been undertaken at these sites during 2021 however work is expected to be completed before 31 December 2022.

These expenses are included within general and administration expenses \$42.4 million (2020: \$54.8 million) and selling and distribution for \$8.9 million (2020: \$10.8 million) in the Consolidated Income Statement.

Other Income

Assistance from government

Other income includes COVID-19 government wage support of \$0.8 million received from the Australian and Singapore government programs. (2020: \$6.8 million). The FY20 support was received from the Australian, New Zealand and Singapore government programs.

Impairment of non-current assets

The Group recognised an impairment loss of \$31.0 million (2020: \$413.4 million). These impairments related to a number of Convenience Retail sites of \$15.5 million (2020: \$291.6 million), a reversal of impairment of \$9.0 million (2020: nil) of previously impaired sites and other specific assets of \$24.5 million (2020: \$41.8 million). In 2020, there was a \$80.0 million impairment related to the Lytton refinery. Impairment losses are disclosed in other expenses in the Consolidated Income Statement.

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B3 Segment reporting continued

B3.3 Reconciliation of reportable segment revenues, profit or loss and other material items continued

Other expenses

Site remediation provision

An independent third-party review of cost assumptions included in the Kurnell remediation provision was performed in late 2021 which resulted in a reduction in the provision of \$41.9 million (2020: nil). An environmental remediation provision of nil (2020: \$32.3 million) was recognised in respect of the cost of remediating convenience retail and depot sites for alternative use. These expenses were included within general and administration expenses in the Consolidated Income Statement.

Provision for doubtful debts

In 2020, a provision for doubtful debts of \$3.7 million was raised as a result of the expected impact on Ampol customers from COVID-19. This expense was included within general and administration expenses in the Consolidated Income Statement.

Gain on sale of investment

In December 2021 the Group sold its investment in Car Next Door Australia Pty Ltd for expected proceeds of \$16.7 million and recorded a net accounting gain of \$12.5 million. In 2020, the Group sold its investment in the Sydney Joint User Hydrant Installations (JUHI) for proceeds of \$24.8 million and a net accounting gain of \$21.2 million. The net gain was included within other income in the Consolidated Income Statement.

Higher and Better Use sites (HBU)

In 2020, the Group recognised an environmental remediation provision in relation to the divestment of HBU sites of \$16.9 million. This expense is disclosed in other expenses in the Consolidated Income Statement.

Significant items tax benefit

Significant items tax benefit of \$10.5 million (2020: \$151.2 million) represents tax at the Australian corporate tax rate of 30%. In 2020, utilisation of previously unrecognised capital losses of \$15.7 million were applied to a capital gain on the sale of a 49% interest in 203 freehold Convenience Retail sites with a Charter Hall and GIC consortium.

B3.4 Geographical segments

The Group operates in Australia, New Zealand, United States and Singapore. External revenue is predominantly generated in Australia. The Group generated the following revenue and holds the following non-current assets across the geographical segments.

Millions of dollars	Australia	New Zealand	Singapore	US	Total
2021					
Revenue	15,409.7	728.7	5,068.1	423.4	21,629.9
Non-current assets	4,208.4	433.2	3.2	1.5	4,646.3
2020					
Revenue	12,019.5	572.2	2,793.2	24.2	15,409.1
Non-current assets	4,267.8	414.7	22.7	0.8	4,706.0

B3.5 Major customer

Revenues from one customer of the Group's Fuels and Infrastructure segment represents approximately \$3.2 billion (2020: \$2.6 billion) of the Group's total gross sales revenue (excluding product duties and taxes).

B3.6 Revenue from products and services

Millions of dollars	2021	2020
Petrol	6,455.8	4,559.0
Diesel	10,902.7	7,397.6
Jet	1,080.7	860.6
Lubricants	242.8	201.4
Specialty and other products	286.2	155.5
Crude	1,309.2	903.0
Non-fuel income	1,143.5	1,098.5
Other revenue	209.0	233.5
Total product and service revenue	21,629.9	15,409.1

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B4 Earnings per share

Cents per share	2021	2020
Historical cost net profit/(loss) attributable to ordinary shareholders – basic	234.2	(194.2)
Historical cost net profit/(loss) attributable to ordinary shareholders – diluted	233.5	(194.2)
RCOP after tax and excluding significant items – basic	152.6	84.8
RCOP after tax and excluding significant items – diluted	152.1	84.8

Calculation of earnings per share

Basic historical earnings per share is calculated as the net profit attributable to ordinary shareholders of the parent entity divided by the weighted average number of ordinary shares outstanding during the year ended 31 December 2021.

Diluted historical cost earnings per share is calculated as the profit attributable to ordinary shareholders of the parent entity divided by the weighted average number of ordinary shares which has been adjusted to reflect the number of shares that would be issued if all outstanding rights and restricted shares were exercised. When the Company has made a loss, basic and diluted earnings per share are calculated using the same weighted average number of ordinary shares and excludes all outstanding rights and restricted shares on issue as to include them in the calculation of diluted earnings per share would result in a lower loss per share.

Earnings per share has been disclosed for both the historical cost net profit as well as the RCOP segment method of reporting net profit. The RCOP segment method adjusts statutory profit for significant items and inventory gains and losses. A reconciliation between historical cost net profit attributable to ordinary shareholders of the parent entity and RCOP after tax and excluding significant items is included below.

Millions of dollars	2021	2020
Net profit/(loss) after tax attributable to equity holders of the parent entity	560.0	(484.9)
Add: Significant items loss after tax	24.4	337.0
Add/(Less): Inventory (gains)/losses after tax	(219.5)	359.7
RCOP excluding significant items after tax	364.9	211.8

Weighted average number of shares (millions)	Note	2021	2020
Issued shares as at 1 January		249.7	249.7
Shares bought back and cancelled	D6	(11.4)	-
Issued shares as at 31 December		238.3	249.7
Weighted average number of shares as at 31 December - basic		239.1	249.7
Weighted average number of shares as at 31 December - diluted		239.8	249.7

Notes to the Financial Statements

B Results for the year continued

FOR THE YEAR ENDED 31 DECEMBER 2021

B5 Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount.

B5.1 Dividends declared or paid

Dividends recognised in the current year by the Group are:

Millions of dollars	Date of payment	Franked/ unfranked	Cents per share	Total amount
2021				
Interim 2021	23 September 2021	Franked	52	123.9
Final 2020	1 April 2021	Franked	23	54.8
Total amount			75	178.7
2020				
Interim 2020	2 October 2020	Franked	25	62.4
Final 2019	3 April 2020	Franked	51	127.4
Total amount			76	189.8

Subsequent events

Since 31 December 2021, the Directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to 2021.

Final 2021	31 March 2022	Franked	41	97.7
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B5.2 Dividend franking account

Millions of dollars	2021	2020
30% franking credits available to shareholders of Ampol Limited for subsequent financial years	592.6	777.1

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability, is to reduce the balance by \$42.0 million (2020: \$23.5 million).

Notes to the Financial Statements

C Operating assets and liabilities

FOR THE YEAR ENDED 31 DECEMBER 2021

This section provides information on the assets used to generate the Group's trading performance and the liabilities incurred as a result.

C1 Trade and other receivables

The following balances are amounts due from the Group's customers and others.

Millions of dollars	2021	2020
Trade debtors	827.1	493.1
Accrued receivables	340.9	98.4
Allowance for impairment	(8.0)	(8.6)
Prepayments	25.2	53.1
Associated and joint venture entities	75.3	44.1
Derivative assets	71.2	40.6
Other debtors	246.6	217.7
Contract assets	39.4	43.7
Total trade and other receivables	1,617.7	982.1
Current	1,576.2	936.1
Non-current	41.5	46.0
Total trade and other receivables	1,617.7	982.1

Receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less impairment losses.

Impairment testing is performed at reporting date. A provision for impairment losses is raised based on a risk matrix for expected credit losses across customer categories.

Impaired receivables

As at 31 December 2021, current trade receivables of the Group with a nominal value of \$8.0 million (2020: \$8.6 million) were provided for as impaired based on the expected credit loss model. No collateral is held over these impaired receivables.

As at 31 December 2021, trade receivables of \$16.6 million (2020: \$11.5 million) were overdue. The ageing analysis of receivables is as follows:

Millions of dollars	2021	2020
Past due 0 to 30 days	16.6	11.5
Past due 31 to 60 days	-	-
Past due greater than 60 days	-	-
Total impaired receivables	16.6	11.5

Movements in the allowance for impairment of receivables are as follows:

Millions of dollars	2021	2020
At 1 January	8.6	6.3
Provision for impairment recognised during the year	1.5	4.7
Receivables written off during the year as uncollectible	(2.1)	(2.4)
Balance at 31 December	8.0	8.6

The creation and release of the provision for impaired receivables has been included in general and administration expenses in the Consolidated Income Statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C2 Inventories

Millions of dollars	2021	2020
Crude oil and raw materials	530.2	389.8
Inventory in process	41.6	50.8
Finished goods	1,467.3	890.6
Materials and supplies	25.8	23.1
Balance at 31 December	2,064.9	1,354.3

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first in first out (FIFO) principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure incurred in acquiring the inventories and bringing them into their existing location and condition.

The amount of any write-down or loss of inventory is recognised as an expense in the period it is incurred. Inventory write-downs may be reversed when net realisable value increases subsequent to initial write-down. The reversal is limited to the original write-down amount. There was no inventory written down to net realisable value at 31 December 2021 or 31 December 2020.

C3 Intangibles

Millions of dollars	Goodwill	Rights and licences	Software	Total
Cost				
At 1 January 2021	425.2	97.4	277.5	800.1
Additions and transfers	-	1.4	16.9	18.3
Disposals	-	(0.9)	(3.0)	(3.9)
Foreign currency translation	1.0	0.1	-	1.1
Balance at 31 December 2021	426.2	98.0	291.4	815.6
Cost				
At 1 January 2020	430.7	87.5	254.9	773.1
Additions and transfers	-	16.0	22.6	38.6
Disposals	-	(5.1)	-	(5.1)
Foreign currency translation	(5.5)	(1.0)	-	(6.5)
Balance at 31 December 2020	425.2	97.4	277.5	800.1
Amortisation and impairment				
At 1 January 2021	(19.5)	(48.0)	(174.2)	(241.7)
Change in accounting policy ⁽ⁱ⁾	-	-	(28.2)	(28.2)
Amortisation for the year	-	(6.3)	(10.8)	(17.1)
Impairment losses ⁽ⁱⁱ⁾	-	-	(24.5)	(24.5)
Disposals	-	-	2.5	2.5
Foreign currency translation	-	(0.3)	-	(0.3)
Balance at 31 December 2021	(19.5)	(54.6)	(235.2)	(309.3)
Amortisation and impairment				
At 1 January 2020	(19.5)	(40.4)	(134.4)	(194.3)
Amortisation for the year	-	(7.7)	(20.2)	(27.9)
Impairment losses ⁽ⁱⁱ⁾	-	-	(20.1)	(20.1)
Disposals	-	-	-	-
Foreign currency translation	-	0.1	0.5	0.6
Balance at 31 December 2020	(19.5)	(48.0)	(174.2)	(241.7)

(i) For further information on the adjustment on application of the IFRS Interpretation Committee decision, refer to Note A4.

(ii) Refer to Note C4 (Impairment – Other specific assets) for further information.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C3 Intangibles continued

Millions of dollars	Goodwill	Rights and licences	Software	Total
Carrying amount				
At 1 January 2021	405.7	49.4	103.3	558.4
Balance at 31 December 2021	406.7	43.4	56.2	506.3
Carrying amount				
At 1 January 2020	411.2	47.1	120.5	578.8
Balance at 31 December 2020	405.7	49.4	103.3	558.4

The amortisation charge of \$17.1 million (2020: \$27.9 million) is recognised in selling and distribution expenses and general and administration expenses in the Consolidated Income Statement.

Goodwill

Goodwill arising on the acquisition of subsidiaries is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Other intangible assets

During the period, the Company revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The new accounting policy is presented below. The impact of the change in accounting policy on historical financial information is disclosed in Note A4.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Costs related to access, configuration and customisation of unrestricted use of cloud computing arrangements are recognised as an operating expense.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are reflected by the following amortisation percentages:

Software development	7 to 17%
Software not integrated with hardware	7 to 18%
Rights and licences	4 to 33%

Impairment

The carrying amounts of intangible assets are reviewed to determine if there is any indication of impairment. If any such indication exists, the cash-generating unit's recoverable amount is estimated and, if required, an impairment is recognised in the Consolidated Income Statement. In 2021, there was impairment loss of \$24.5 million (2020: \$20.1 million) recognised in the Consolidated Income Statement for information technology assets as detailed in Note C4 Impairment – Other specific assets.

Carrying value assessment of Cash-Generating Units (CGUs) containing goodwill and indefinite life intangibles

The Group tests the carrying amount of indefinite life intangible assets, including goodwill, for impairment to ensure they are not carried at above their recoverable amounts at least annually and where there is an indication that the assets may be impaired.

The recoverable amount of all CGUs containing goodwill have been estimated in the current reporting period.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C3 Intangibles continued

Carrying value assessment of Cash-Generating Unit (CGU) groups containing goodwill and indefinite life intangibles continued

Goodwill and indefinite life intangibles have been allocated to the CGUs as follows:

Total goodwill and indefinite life intangibles

Millions of dollars	Gull New Zealand	Fuels and Infrastructure other	Convenience Retail	Total
Goodwill	225.5	68.0	113.2	406.7
Indefinite life intangibles	20.3	0.9	-	21.2
Balance at 31 December 2021	245.8	68.9	113.2	427.9

Each of the CGUs' recoverable amount has been determined using a value-in-use approach. There were no impairments recognised during the year ended 31 December 2021 (2020: nil).

Key assumptions used in value-in-use calculations

Key assumption	Basis for determining value-in-use assigned to key assumption
Cash flow	Estimated future cash flows are based on the Group's most recent best estimate of cash flows covering a five-year plan period from 2022 to 2026. Cash flows beyond the period in 2026 are extrapolated using estimated long-term growth rates.
Estimated long-term average growth rate	The cash flows have been extrapolated using a constant growth rate of: Australia 2.5% and New Zealand 2.0%. The growth rates used do not exceed the long-term growth rate for the industry.
Discount rate	Pre-tax discount rates used vary depending on the nature of the business and the country of operation. The cash flows have been discounted using post-tax discount rates of 6.7% to 8.1% and pre-tax discount rates of 7.8% to 9.9% p.a.

Sensitivities

Determining recoverable amount requires the exercise of significant judgements which take into account both internal and external factors. Changes in the long-term view of any of these factors may impact the estimated recoverable value. The recoverable amount of the CGU Groups containing goodwill and indefinite life intangibles would equal their carrying amount if any of the following key assumptions were to change:

CGU Groups	Key assumptions
Gull New Zealand	Cash contributions reduce by 55% for each year modelled Post-tax discount rate increases from 8.1% to 15.7%
Fuels and Infrastructure other	Cash contributions reduce by 31% for each year modelled Post-tax discount rate increases from 7.7% to 10.1%
Convenience Retail	Cash contributions reduce by 62% for each year modelled Post-tax discount rate increases from 6.7% to 14.3%

In reaching its conclusions regarding the recoverable amounts of these CGUs the Group has considered the potential impacts that clean energy transition and decarbonisation may have on its business through downside scenario analysis. Whilst the speed and form of the transition is still highly uncertain, the Group has undertaken additional downside scenario analysis using current expectations of the timing and speed of these changes. This has included reviewing recovery timeframes for carrying values against anticipated timing of energy transition and cashflow growth rates required to break-even under 2035 and 2045 time horizons. No impairment has been identified based on this scenario analysis.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C4 Property, plant and equipment

Millions of dollars	2021	2020
Freehold land		
At cost	482.0	455.5
Accumulated impairment losses	(70.1)	(70.1)
Net carrying amount	411.9	385.4
Buildings		
At cost	756.3	764.9
Accumulated depreciation and impairment losses	(335.0)	(326.6)
Net carrying amount	421.3	438.3
Leasehold property		
At cost	1,520.5	1,331.7
Accumulated depreciation and impairment losses	(531.3)	(379.7)
Net carrying amount	989.2	952.0
Plant and equipment		
At cost	6,194.1	6,064.0
Accumulated depreciation and impairment losses	(4,774.8)	(4,609.3)
Net carrying amount	1,419.3	1,454.7
Capital projects in progress		
At cost	323.0	237.3
Accumulated impairment losses	-	-
Net carrying amount	323.0	237.3
Total net carrying amount	3,564.7	3,467.7

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost of property, plant and equipment includes the cost of decommissioning and restoration at the end of their economic lives if a present legal or constructive obligation exists. More details of how this cost is estimated and recognised is contained in Note C6.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including cyclical maintenance, is capitalised. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be reliably measured. All other expenditure is recognised in the Consolidated Income Statement as an expense as incurred.

Major cyclical maintenance

Major cyclical maintenance expenditure is separately capitalised as an asset component to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance, will eventuate. All other such costs are expensed as incurred. Capitalised cyclical maintenance expenditure is depreciated over the lesser of the additional useful life of the asset or the period until the next major cyclical maintenance is scheduled to occur.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight-line method over their expected useful lives. Leasehold improvements are amortised over the shorter of the lease term or useful life.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C4 Property, plant and equipment continued

The depreciation rates used in the current and prior year for each class of asset are as follows:

Freehold buildings	2%
Leasehold property	2% to 10%
Plant and equipment	3% to 25%
Leased plant and equipment	3% to 25%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Some of the useful lives of the Group's assets may be impacted by energy transition. All useful lives are reviewed taking into account the Group's current assessment of energy transition timeframes. To the extent that the Group's assessment of the timing or pace of this transition changes, the useful lives of the asset would change on a prospective basis.

Impairment of non-current assets

Carrying value assessment cash-generating units

The carrying amounts of each cash generating unit ("CGU") are reviewed at each reporting period to determine if there are any indicators of impairment. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows. Where an indicator of impairment exists, a detailed recoverable amount test is performed for the relevant CGU. If the recoverable amount test determines that a CGU is impaired an impairment expense is recognised in the Consolidated Income Statement.

All CGUs have been reviewed for indicators of impairment and triggers for a detailed review of recoverable amount.

Impairment Convenience Retail site CGUs

31 December 2021

In the current period the Group assessed triggers for impairment across the portfolio of convenience retail sites. Through this trigger review 45 sites were identified which have been flagged for closure or lease relinquishment and 8 further sites were identified as underperforming. There were no other sites triggered for a more detailed review. The 53 sites identified during this review have been fully impaired in the current period and a \$15.5 million impairment expense reflected in the Consolidated Income Statement.

In addition, the Group has carried out a review of previous impairments to determine whether any change in circumstance or sustained improvement in performance, warranted a review of recoverable amount to determine whether reversal was required. During this review, four convenience retail sites were identified that had previously been impaired due to planned closure however a decision has been made to continue to trade at these sites. As a consequence, an impairment reversal has been recognised of \$9.0 million in the Consolidated Income Statement.

31 December 2020

The Group re-assessed the recoverable amount of the site level CGU assets as at 31 December 2020 by using a value-in-use discounted cash flow analysis. The analysis used cash flow forecasts based on a five-year period. The forecasts were risk adjusted to reflect the uncertainty around the timing and level of recovery from the impact of COVID-19. Cash flows beyond this period were extrapolated using a long-term growth rate of 2.5%. Cash flow forecasts, for leased site assets were consistent with the term of the lease assessed under AASB 16. The recoverable amounts of the CGUs were based on their value-in-use (using a discount rate of 7.1% post-tax and pre-tax of 10.2%).

Based on this assessment an impairment loss of \$291.6 million was recognised with respect to property, plant and equipment for the year. The 2020 impairment loss was recognised in other expenses in the Consolidated Income Statement.

Determining recoverable amount requires the exercise of significant judgements regarding both internal and external factors. Judgements relating to external factors, including but not limited to fuel margin, were made with reference to historical and observable market data. Judgements relating to internal factors, including but not limited to applicable discount rate, sale volumes, shop contribution, wage growth and other operating costs were made with reference to historical data and risk adjusted forward looking business plans given the uncertainty caused by the COVID-19 pandemic.

Impairment – Other specific assets

31 December 2021

During the current period the Group has performed a review of its information technology assets. As part of this review several projects have been identified as impaired with an expense of \$24.5 million recognised in the Consolidated Income Statement.

31 December 2020

COVID-19 had a significant impact on the operating environment and financial outlook for the Group. A review of company priorities across projects and future investment was undertaken, to ensure a clearer focus on the organisational priorities post the COVID-19 impact. This included ceasing IT projects and identifying Convenience Retail and Depot sites to be closed and divested. Based on this assessment it was determined that an asset write-down of \$41.8 million was required in respect of information technology assets \$20.1 million, buildings and plant and equipment \$21.7 million.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C4 Property, plant and equipment continued

Property, plant and equipment

Millions of dollars	2021	2020
Freehold land		
Carrying amount at the beginning of the year	385.4	421.5
Additions	28.6	1.8
Disposals	(4.2)	(4.5)
Impairment losses	-	(32.8)
Transfers from capital projects in progress	2.3	0.8
Foreign currency translation	(0.2)	(1.4)
Carrying amount at the end of the year	411.9	385.4
Buildings		
Carrying amount at the beginning of the year	438.3	492.8
Additions	3.5	0.3
Disposals	(16.7)	(9.5)
Impairment losses	-	(44.4)
Transfers from capital projects in progress	10.9	17.4
Depreciation	(14.7)	(18.2)
Foreign currency translation	-	(0.1)
Carrying amount at the end of the year	421.3	438.3
Leasehold property		
Carrying amount at the beginning of the year	952.0	973.5
Additions	207.9	207.0
Disposals	(29.4)	(4.7)
Impairment losses	(5.1)	(85.6)
Transfers from capital projects in progress	5.1	10.4
Depreciation	(146.1)	(148.1)
Reclassification	5.9	-
Foreign currency translation	(1.1)	(0.5)
Carrying amount at the end of the year	989.2	952.0

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C4 Property, plant and equipment continued

Property, plant and equipment continued

Millions of dollars	2021	2020
Plant and equipment		
Carrying amount at the beginning of the year	1,454.7	1,539.2
Additions	36.4	255.6
Disposals	(26.0)	(2.3)
Impairment losses	(12.0)	(230.5)
Impairment losses reversal	9.0	-
Transfers from capital projects in progress	165.6	121.3
Reclassification	(5.9)	-
Depreciation	(203.1)	(228.0)
Foreign currency translation	0.6	(0.6)
Carrying amount at the end of the year	1,419.3	1,454.7
Capital projects in progress		
Carrying amount at the beginning of the year	237.3	275.5
Impairment losses	(2.6)	-
Additions	272.1	128.1
Borrowing costs capitalised	0.1	0.3
Transfers to property, plant and equipment and intangible assets	(183.9)	(166.6)
Carrying amount at the end of the year	323.0	237.3

C4.1 Leased assets

Definition of a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. Non-lease components are items that are not related to securing the use of the underlying asset.

The Group as a lessee

The Group leases many assets including and predominantly related to property leases for service stations, terminals, pipelines and wharves.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. The cost comprises:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before commencement, less lease incentive (if any);
- initial direct costs incurred, including legal fees, agency fees or other fees in relation to negotiation or arrangement of the lease; and
- estimated costs to be incurred in restoring the asset as required by the terms and conditions of the lease.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the underlying asset or the lease term using the straight-line method. Right-of-use asset depreciation expense is included in the "Selling and distribution expenses" and "General and administration expenses" in the Consolidated Income Statement based on the function of associated activities.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C4 Property, plant and equipment continued

C4.1 Leased assets continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate with reference to external market data, making certain adjustments to reflect the terms of the lease and the type of assets leased. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, less any lease incentive receivable; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease term is determined to be the non-cancellable period of the lease, considering the broader economics of the contract including economic penalties associated with exiting the lease and the useful life of the leasehold improvements on the relevant site.

The lease liability is subsequently increased by the interest cost on the lease liability (recognised in "Finance costs" in the Consolidated Income Statement) and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including motor vehicles and IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment and leasehold property.

Millions of dollars	Leasehold property	Plant and equipment	Total
Balance at 1 January 2021	853.0	3.7	856.7
Additions	181.0	2.9	183.9
Disposals	(29.0)	-	(29.0)
Reclassification	(52.9)	-	(52.9)
Impairment losses	(5.1)	-	(5.1)
Depreciation charge for the year	(118.5)	(2.7)	(121.2)
Foreign currency translation	0.3	-	0.3
Balance at 31 December 2021	828.8	3.9	832.7
Balance at 1 January 2020	852.2	7.7	859.9
Additions	204.0	0.1	204.1
Disposals	(4.7)	(0.7)	(5.4)
Impairment losses	(64.1)	-	(64.1)
Depreciation charge for the year	(134.1)	(3.4)	(137.5)
Foreign currency translation	(0.3)	-	(0.3)
Balance at 31 December 2020	853.0	3.7	856.7

Amounts recognised in the Consolidated Income Statement

Millions of dollars	2021	2020
Leases		
Interest on lease liabilities	54.9	57.2
Expenses relating to short-term leases, leases of low-value assets and variable leases	54.5	59.9

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C4 Property, plant and equipment continued

C4.1 Leased assets continued

Amounts recognised in the statement of cash flows

For the purposes of presentation in the cash flow statement, principal lease payments of \$106.3 million (2020: \$107.7 million) are presented within the financing activities and interest of \$54.9 million (2020: \$57.2 million) within operating activities. Lease payments of short-term leases and leases of low-value assets of \$54.5 million (2020: \$59.9 million) are included within operating activities. In addition to the disclosure in the statement of cash flows, Note D2.5 provides a maturity analysis of lease liabilities.

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group as lessor

In contracts where the Group is a lessor, the Group determines whether the lease is an operating lease or finance lease at inception of the lease. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117.

However, when the Group is an intermediate lessor, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The impact of sub-leases on the Financial Statements is immaterial.

The Group's leases consist of owned commercial properties. All leases of owned property are classified as operating leases from a lessor perspective. Rental income recognised by the Group during 2021 was \$19.5 million (2020: \$22.0 million).

The Group has granted operating leases expiring from one to nine years. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Millions of dollars	2021	2020
Operating leases under AASB 16		
Within one year	6.2	7.1
Between one and five years	12.5	16.5
After five years	0.9	1.1
	19.6	24.7

C5 Payables

Millions of dollars	2021	2020
Trade creditors unsecured	1,606.3	935.8
Other creditors and accrued expenses	652.0	529.0
Derivative liabilities	124.7	86.4
Total trade payables	2,383.0	1,551.2
Current	2,370.2	1,535.2
Non-current	12.8	16.0
Total trade payables	2,383.0	1,551.2

Payables are recognised for amounts to be paid in the future for goods and services received, whether it is billed to the Group or not. Trade accounts payable are normally settled on between 30-day and 60-day terms.

Payables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C6 Provisions

Millions of dollars	Site remediation and dismantling	Other	Total
Balance at 1 January 2021	586.7	80.3	667.0
Provisions made during the year	63.1	2.6	65.7
Provisions used during the year	(65.0)	(26.5)	(91.5)
Provisions released during the year	(74.7)	(1.6)	(76.3)
Transfers	(1.9)	1.9	-
Inflationary movement	0.3	-	0.3
Discounting movement	9.6	-	9.6
Balance at 31 December 2021	518.1	56.7	574.8
Current	48.2	56.7	104.9
Non-current	469.9	-	469.9
Balance at 31 December 2021	518.1	56.7	574.8

A provision is recognised when there is a present legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

The provision is the best estimate of the present value of the expenditure to settle the obligation at the reporting date. These costs are reviewed annually, and any changes are reflected in the provision at the end of the reporting period.

A provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a financing cost.

In general, the further in the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow. Examples are of cash outflows that are expected to occur a number of years in the future and, as a result, there is uncertainty on the amounts involved, including asset decommissioning and restoration obligations.

Estimates of the amount of an obligation are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can be many years in the future. Factors such as climate change and energy transition, which are highly uncertain, could also change the timing of these works. The carrying amounts of provisions are regularly reviewed and adjusted to take account of any anticipated changes.

Site remediation and dismantling

Costs for future dismantling and removal of assets, and remediation of the site on which assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises under regulatory requirements and/or the contractual terms of a lease. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset or the lease term.

A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount deducted does not exceed the carrying amount of the asset. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied. An adjustment in circumstances where there is no such related asset is recognised in the Consolidated Income Statement immediately.

Remediation identified in the period resulting from ongoing or past operations, where a legal or constructive obligation exists and the amount can be reliably estimated is recognised as a provision with a corresponding expense to the Consolidated Income Statement.

In assessing the value of provisions the Company uses assumptions and estimates. These include the current legal, contractual or constructive obligations for remediation, expected timings of settlements and amounts (based on past experience or third-party estimates of cost of asset removal, site assessment and additional soil remediation), discount rates and cost inflation rates.

The provision for environmental liabilities is estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and timing of cash outflows can differ from current estimates because of changes in regulations, public expectations, prices, new information on site conditions and changes in technology. The timing and amount of future expenditures relating to site dismantling and remediation liabilities are reviewed annually, together with the interest rate used in discounting the cash flows. Changes in assumptions in relation to the Company's provisions can result in material changes to their carrying amounts.

Notes to the Financial Statements

C Operating assets and liabilities continued

FOR THE YEAR ENDED 31 DECEMBER 2021

C6 Provisions continued

Site remediation and dismantling continued

Set out below are the key components of the site remediation and dismantling provision including, where relevant, a description of material changes to the estimates made during the year.

- The environmental remediation obligation associated with the Kurnell oil refinery following its conversion to an import terminal has been reviewed by a third-party expert in the current period. The outcome of this review was that the costs to remediate have been revised and the provision reduced by \$41.9 million. The reduction in anticipated costs related to savings achieved through renegotiation of contractual arrangements and a reassessment of the contingency allowance now that the required site works have been refined. In addition, there has been spend in the current period of approximately \$17.7 million on site works.
- During the year, restoration and remediation provisions for sites identified for divestment including the cost of restoration to a level of non-sensitive industrial use reduced as works were carried out in relation to the identified sites.
- Restoration and remediation provision for 25 sites that were sold in 2019 for a “higher and better” use reflecting their significant value as future residential sites. The provision reflects the Group’s commitment to remediate to these sites to a standard which would allow residential development. During the year the provision has been utilised as site work progressed resulting in a decrease in the provision of \$19.8 million.
- The provision for dismantling and removal of assets from owned and leased operational sites has been increased by \$29.0 million for several of the Group’s sites where further detailed work has been undertaken to determine cost. Estimated assumptions include current legal, contractual or constructive obligations for dismantling assets and site restoration, expected timings of settlements, expenses based on past experience or third-party estimates of cost of asset removal, site assessment and additional soil remediation, as well as discount rates and cost inflation rates.
- The provision relating to remediation of site specific contamination has not changed significantly during the year. The estimated liability for these costs depends on the actions required to meet regulatory standards and other requirements.

Other

The largest portion of Other includes the provision for rebranding obligations to third-party owned sites for \$46.0 million that was recognised in 2020 with the Income Statement expense treated as a significant item. The remainder of provision includes legal and other provisions.

Notes to the Financial Statements

D Capital, funding and risk management

FOR THE YEAR ENDED 31 DECEMBER 2021

This section focuses on the Group's capital structure and related financing costs. This section also describes how the Group manages the capital and the financial risks it is exposed to as a result of its operating and financing activities.

D1 Liquidity and interest-bearing liabilities

D1.1 Interest-bearing liabilities

Millions of dollars	2021	2020
Current		
Bank facilities ⁽ⁱ⁾	-	-
Lease liabilities	159.6	160.2
Current interest-bearing liabilities	159.6	160.2
Non-current		
Bank facilities ⁽ⁱ⁾	(6.8)	(5.3)
Capital market borrowings ⁽ⁱⁱ⁾	304.9	313.5
Subordinated notes ^{(iii)(iv)}	991.9	493.3
Lease liabilities	814.0	754.0
Non-current interest-bearing liabilities	2,104.0	1,555.5
Total interest-bearing liabilities	2,263.6	1,715.7

(i) Bank facilities comprise of no drawn bank debt at 31 December 2021 (2020: nil) (less borrowing costs of \$6.8 million (2020: \$5.3 million)).

(ii) Capital market borrowings of \$304.9 million (2020: \$313.5 million) includes a fair value adjustment of \$5.9 million (2020: \$14.8 million) relating to the fair value hedge of the \$300.0 million Australian Medium-Term Notes (less borrowing costs of \$1.0 million (2020: \$1.3 million)).

(iii) Subordinated Notes were issued on 9 December 2020 and are unlisted. They are denominated in Australian dollars. The Notes have a maturity date of 9 December 2080, with the first optional redemption date on 9 March 2026 totalling \$500.0 million (less borrowing costs of \$5.3 million (2020: \$6.7 million)).

(iv) Subordinated Notes were issued on 2 December 2021 and are unlisted. They are denominated in Australian dollars. The Notes have a maturity date of 2 December 2081, with the first optional redemption date on 19 March 2027 totalling \$500.0 million (less borrowing costs of \$2.8 million).

Interest-bearing liabilities (excluding lease liabilities) are initially recorded at fair value, less transaction costs. Subsequently, interest-bearing liabilities are measured at amortised cost, using the effective interest method. Any difference between proceeds received net of transaction costs and the amount payable at maturity is recognised over the term of the borrowing using the effective interest method. Refer to Note C4.1 for accounting policies on lease liabilities.

Refer to Note D2.5 for liquidity risk management.

Significant funding transactions

On 2 December 2021, Ampol successfully issued \$500.0 million of subordinated notes. These notes will further diversify Ampol's funding sources, support its credit profile and increase its financial flexibility in line with its Capital Allocation Framework.

During 2021, the Group extended the tenor on the AUD equivalent \$1,612.1 million (2020: \$1,503.0 million) of its existing bilateral bank facilities and upsized its committed bank facilities by \$160.0 million (2020: downsized by \$200.0 million). Further, Ampol executed an additional net \$1,299.0 million in new debt facilities in 2021 to support the proposed Z Energy acquisition announced on 11 October 2021 (transaction is subject to Z Energy shareholders and New Zealand regulatory approvals). The utilisation of the new Z Energy acquisition debt facilities is subject to the completion of the transaction.

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D2 Risk management

The Group currently finances its operations through a variety of financial instruments including bank facilities, capital markets borrowings, subordinated notes and leasing transactions. Surplus funds are invested in cash and short-term deposits. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), as well as credit and liquidity risk.

Group Treasury centrally manages foreign exchange risk, interest rate risk, liquidity risk, financial institutional credit risk, funding and capital management. Risk management activities with respect to customer credit risk are carried out by the Group's Credit Risk department, and risk management activities with respect to commodity price risk are carried out by Ampol Singapore.

The Group operates under policies approved by the Board of Directors. Group Treasury, Credit Risk and Ampol Singapore evaluate and monitor the financial risks in close co-operation with the Group's operating units.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on financial performance. The Group uses a range of derivative financial instruments to hedge market exposures.

The Group enters into derivative transactions; principally, interest rate swaps, foreign exchange contracts (forwards, swaps and options) and crude and finished product swap and futures contracts. The purpose is to manage the market risks arising from the Group's operations and its sources of finance.

Derivative financial instruments are recognised at fair value. The gain or loss on subsequent remeasurement is recognised immediately in the Consolidated Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged.

It is the Group's policy that no speculative trading with derivative instruments shall be undertaken.

The magnitude of each type of financial risk that has arisen over the year is discussed in notes D2.1 to D2.5 below.

Hedge accounting

There are three types of hedge accounting relationships that the Group may utilise:

Type of hedge	Objective	Hedging instruments	Accounting treatment
Cash flow hedges	To hedge the Group's exposure to variability in cash flows of an asset, liability or forecast transaction caused by interest rate or foreign currency movements.	Foreign exchange contracts (forwards, swaps and options). Interest rate swap contracts (floating-to-fixed).	The effective portion of changes in fair value of these financial instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. The cumulative gain or loss in equity is transferred to the Consolidated Income Statement in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction ultimately affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.
Fair value hedges	To hedge the Group's exposure to changes to the fair value of an asset or liability arising from interest rate movements.	Interest rate swap contracts (fixed-to-floating).	Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability or firm commitment attributable to the hedged risk.
Net investment hedges	To hedge the Group's exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.	Foreign currency borrowings.	Foreign exchange differences arising from the translation of the net investment in foreign operations, and of related hedges that are effective, are recognised in other comprehensive income and presented in the foreign currency translation reserve within equity. They may be released to the Consolidated Income Statement upon disposal of the foreign operation.

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D2 Risk management continued

D2.1 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates adversely impact the Group's results. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Interest rate risk exposure

The Group's exposure to interest rate risk (after hedging) for classes of financial assets and liabilities is set out as follows:

Millions of dollars	2021	2020
Financial assets		
Cash at bank and on hand	566.3	367.6
	566.3	367.6
Financial liabilities		
Variable rate borrowings		
Bank facilities	143.2	144.8
Subordinated notes	341.9	73.3
Fixed interest rate – repricing dates including lease liabilities:		
12 months or less	159.2	160.2
One to five years	1,166.4	1,171.2
Over five years	452.9	166.2
	2,263.6	1,715.7

Management of interest rate risk

The Group manages interest rate risk by using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swap contracts. Maturities of swap contracts are principally between one and four years.

The Group manages its cash flow interest rate risk by entering into floating-to-fixed interest rate swap contracts. At 31 December 2021, the fixed rates under these swap contracts varied from 0.5% to 2.3% per annum, at a weighted average rate of 1.3% per annum (2020: 1.6% to 2.5% per annum, at a weighted average rate of 1.6% per annum).

The Group manages its fair value interest rate risk by using fixed-to-floating interest rate swap contracts.

The net fair value of interest rate swap contracts at 31 December 2021 was a \$15.5 million gain (2020: \$6.9 million gain).

Interest rate sensitivity analysis

At 31 December 2021, if interest rates had changed by +/-1% from the year-end rates, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

Millions of dollars	2021		2020	
	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Interest rates decrease by 1%	34.6	2.1	24.3	(10.7)
Interest rates increase by 1%	(34.4)	(2.1)	(24.0)	10.1

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D2 Risk management continued

D2.2 Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely impact the Group's results.

Foreign currency transactions are recorded on initial recognition in Australian dollars by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate applicable for that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates at the date of the transactions. Foreign currency differences are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the foreign currency translation reserve.

The Group is exposed to the effect of changes in exchange rates on its operations and investments.

Foreign exchange risk exposure

2021				
Millions of dollars (Australian dollar equivalent amounts)	US dollar	NZ dollar	Australian dollar	Total
Bank facilities	-	-	-	-
Cash and cash equivalents	145.5	26.1	394.7	566.3
Trade receivables	464.3	0.7	1,097.9	1,562.9
Trade payables	(1,398.8)	(53.9)	(806.4)	(2,259.1)
Forward exchange contracts (forwards, swaps and options)	(18.8)	5.5	-	(13.3)
Crude and finished product swap and futures contracts	(55.8)	-	-	(55.8)
2020				
Millions of dollars (Australian dollar equivalent amounts)	US dollar	NZ dollar	Australian dollar	Total
Bank facilities	-	-	-	-
Cash and cash equivalents	65.5	9.6	292.5	367.6
Trade receivables	264.3	4.4	687.5	956.2
Trade payables	(794.2)	(63.2)	(615.1)	(1,472.5)
Forward exchange contracts (forwards, swaps and options)	(2.4)	(0.6)	-	(3.0)
Crude and finished product swap and futures contracts	(49.8)	-	-	(49.8)

Management of foreign exchange risk

In accordance with Group Treasury Policy, the Group's transactional and translational foreign currency exposures are managed as follows:

- transactional foreign currency exposure - foreign exchange instruments (forwards, swaps and options) are used to economically hedge transactional foreign currency exposure; and
- translational foreign currency exposure – foreign currency borrowings may be used to hedge the Group's exposure arising from the foreign currency translation risk from its net investment in foreign operations.

As at 31 December 2021, the total fair value of all outstanding foreign exchange contracts (forwards, swaps and options) amounted to a \$13.3 million loss (2020: \$3.0 million loss).

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D2 Risk management continued

D2.2 Foreign exchange risk continued

Foreign exchange rate sensitivity analysis

At 31 December 2021, had the Australian dollar strengthened/weakened by 10% against the following currencies respectively, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

Millions of dollars	2021		2020	
	Post-tax profit	Equity	Post-tax profit	Equity
AUD strengthens against US dollar by 10%	(7.1)	-	(4.3)	-
AUD weakens against US dollar by 10%	28.3	-	13.4	-
AUD strengthens against NZ Dollar 10%	(3.1)	-	-	-
AUD weakens against NZ Dollar 10%	17.6	-	-	-

D2.3 Commodity price risk

Commodity price risk is the risk that fluctuations in commodity prices will adversely impact the Group's results. The Group is exposed to the effect of changes in commodity prices on its operations.

The Group utilises crude and finished product swap and futures contracts to manage the risk of price movements. The Enterprise Commodity Risk Management Policy seeks to minimise adverse price timing risks and basis exposures brought about by purchase and sales transactions.

As at 31 December 2021, the total fair value of all outstanding crude and finished product swap and futures contracts amounted to a \$55.8 million loss (2020: \$49.8 million loss).

Commodity price sensitivity analysis

At 31 December 2021, if commodity prices had changed by +/-10% from the year-end prices, with all other variables held constant, the impact on post-tax profit for the year for the Group and equity would have been:

Millions of dollars	2021		2020	
	Post-tax profit	Hedge reserve	Post-tax profit	Hedge reserve
Commodity prices decrease by 10%	18.5	-	14.7	-
Commodity prices increase by 10%	(18.5)	-	(14.7)	-

D2.4 Credit risk

Customer credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Group which have been recognised on the Consolidated Balance Sheet is the carrying amount of trade debtors and other receivables, net of allowances for impairment (see Note C1).

The Group has a Board-approved Credit Policy and manual which provide the guidelines for the management and diversification of the credit risk to the Group. The guidelines provide the scope in which the credit risk of customers is assessed and the use of credit rating and other information in order to set appropriate limits of trade with customers. The credit quality of customers is consistently monitored in order to identify any potential adverse changes in the credit risk of the customers.

Expected customer credit losses are assessed on a portfolio basis between small and medium to large businesses.

The Group also minimises concentrations of credit risk by undertaking transactions with a large number of customers across a variety of industries and networks.

Security is required to be supplied by certain groups of Ampol customers to minimise risk. The security could be in the form of a registered personal property security interest over the customer's assets and/or mortgages over real property. Bank guarantees, other contingent instruments or insurance bonds are also provided in some cases.

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D2 Risk management continued

D2.4 Credit risk continued

Financial institution credit risk

Credit risk on cash, short-term deposits and derivative contracts is reduced by transacting with relationship banks which have acceptable credit ratings determined by a recognised ratings agency. Interest rate swaps, foreign exchange contracts (forwards, swaps and options), crude and finished product swap and futures contracts, bank guarantees, and other contingent instruments are subject to credit risk in relation to the relevant counterparties, which are principally large relationship banks. The maximum credit risk exposure on foreign exchange contracts, crude and finished product swap and futures contracts, bank guarantees, and other contingent instruments is the fair value amount that the Group receives when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The credit risk on interest rate swaps is limited to the positive mark-to-market amount to be received from counterparties over the life of contracts.

D2.5 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying business, the liquidity risk policy requires maintaining sufficient cash and an adequate amount of committed credit facilities to be held above the forecast requirements of the business. The Group manages liquidity risk centrally by monitoring cash flow forecasts and maintaining adequate cash reserves and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile.

The debt facility maturity profile of the Group as at 31 December 2021 is as follows:

Millions of dollars	2023	2024	2025	Beyond 2025	Funds available	Drawn	Undrawn
Bank facilities - Drawn	-	-	-	-	-	-	-
Bank facilities - Undrawn ⁽ⁱ⁾	369.8	465.0	150.0	1,317.3	2,302.1	-	2,302.1
Capital market borrowings ⁽ⁱⁱ⁾	-	-	300.0	-	300.0	300.0	-
Subordinated notes ⁽ⁱⁱⁱ⁾	-	-	-	1,000.0	1,000.0	1,000.0	-
Total	369.8	465.0	450.0	2,317.3	3,602.1	1,300.0	2,302.1

(i) This excludes the Z Energy acquisition facilities of \$1,299.0 million, which are unavailable for use until the completion of the acquisition transaction.

(ii) Capital market borrowings were drawn for the year ended 31 December 2021. Refer to Note D1.1 annotation (ii) for the reconciliation back to \$304.9 million (2020: \$313.5 million).

(iii) Subordinated notes were drawn for the year ended 31 December 2021. Refer to Note D1.1 annotation (iii)(iv) for the reconciliation back to \$991.9 million (2020: \$493.3 million).

The Group maintains a strong balance sheet and liquidity position by accessing diversified funding sources made up of committed bank debt facilities and bonds, with a weighted average debt maturity profile of 4.0 years.

The total committed funds at 31 December 2021 was \$3,602.1 million (2020: \$2,940.5 million), with \$2,302.1 million (2020: \$2,140.5 million) in undrawn committed bank debt facilities.

The tables below set out the contractual timing of undiscounted cash flows on derivative and non-derivative financial assets and liabilities at the reporting date, including drawn borrowings and interest.

Millions of dollars	2021			2020		
	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets
Derivative financial instruments						
Less than one year	(3,917.5)	3,901.8	(15.7)	(1,469.2)	1,462.3	(6.9)
One to five years	(5.8)	20.8	15.0	(6.6)	17.1	10.5
Over five years	-	-	-	-	-	-
			(0.7)			3.6

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D2 Risk management continued

D2.5 Liquidity risk management continued

Millions of dollars	2021	2020
Non-derivative financial instruments liabilities		
Less than one year	(2,286.2)	(1,448.0)
One to five years	(1,037.4)	(438.6)
Over five years	(506.7)	(505.7)
	(3,830.3)	(2,392.3)

Millions of dollars	2021	2020
Lease liabilities		
Less than one year	(159.6)	(160.2)
One to five years	(547.4)	(552.4)
Over five years	(626.4)	(691.7)
	(1,333.4)	(1,404.3)

D3 Capital management

The Group's primary objective when managing capital is to safeguard the ability to continue as a going concern, while delivering on strategic objectives.

The Group's Financial Framework is designed to support the strategic objective of sustainably delivering value and growth for our owners, people and customers. The Framework's key elements are to:

- maintain an optimal capital structure that delivers a competitive cost of capital by holding a level of net debt (including lease liabilities) relative to EBITDA that is consistent with strong investment-grade credit rating;
- deliver Return on Capital Employed (ROCE) that exceeds the weighted average cost of capital; and
- make disciplined capital allocation decisions between investments, debt reduction and distribution of surplus capital to shareholders.

The Group's gearing ratio is calculated as net borrowings divided by total capital. Net debt is a non-statutory measure calculated as total interest-bearing liabilities (excluding liabilities arising under *AASB 16 Leases*; refer to Note D1.1) less cash and cash equivalents. Total capital is calculated as equity as shown on the balance sheet plus net borrowings.

Millions of dollars	2021	2020
Interest-bearing liabilities ⁽ⁱ⁾	1,290.0	801.5
Less: cash and cash equivalents	(566.3)	(367.6)
Net borrowings	723.7	433.9
Total equity	3,346.8	3,224.7
Total capital	4,070.5	3,658.6
Gearing ratio	17.8%	11.9%

(i) Interest-bearing liabilities excludes liabilities arising under *AASB 16 Leases*. Refer to note D1.1.

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D4 Fair value of financial assets and liabilities

The Group's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities. The Group has an established framework for fair value measurement. When measuring the fair value of an asset or a liability, the Group uses market observable data where available.

Fair values are categorised into different levels in a fair value hierarchy based on the following valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity.

Fair values of recognised financial assets and liabilities with their carrying amounts shown in the balance sheet are as follows:

Millions of dollars		Asset/(Liability)			
	Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
31 December 2021					
Interest-bearing liabilities					
Bank facilities ⁽ⁱ⁾	6.8	-	-	-	-
Capital market borrowings	(304.9)	(325.8)	-	(325.8)	-
Subordinated notes	(991.9)	(1,159.1)	-	(1,159.1)	-
Derivatives					
Interest rate swaps	15.5	15.5	-	15.5	-
Foreign exchange contracts (forwards, swaps and options)	(13.3)	(13.3)	-	(13.3)	-
Crude and finished product swap and futures contracts	(55.8)	(55.8)	(69.4)	13.6	-
Total	(1,343.6)	(1,538.5)	(69.4)	(1,469.1)	-

Millions of dollars		Asset/(Liability)			
	Carrying amount	Fair value total	Quoted market price (Level 1)	Observable inputs (Level 2)	Non-market observable inputs (Level 3)
31 December 2020					
Interest-bearing liabilities					
Bank facilities ⁽ⁱ⁾	5.3	-	-	-	-
Capital market borrowings	(313.5)	(347.9)	-	(347.9)	-
Subordinated notes	(493.3)	(592.9)	-	(592.9)	-
Derivatives					
Interest rate swaps	6.9	6.9	-	6.9	-
Foreign exchange contracts (forwards, swaps and options)	(3.0)	(3.0)	-	(3.0)	-
Crude and finished product swap and futures contracts	(49.8)	(49.9)	(22.0)	(27.9)	-
Total	(847.4)	(986.8)	(22.0)	(964.8)	-

(i) Relates to capitalised borrowing costs recorded at amortised cost on committed bank facilities.

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D4 Fair value of financial assets and liabilities continued

Estimation of fair values

Interest-bearing liabilities

Bank facilities

These are estimated as the present value of future cash flows using the applicable market rate.

Capital market borrowings and subordinated notes

These are determined by quoted market prices or dealer quotes for similar instruments.

Derivatives

Interest rate swaps

This is an estimated amount that the Group would receive or pay to terminate the swap at balance date taking into account current interest rates and credit adjustments.

Foreign exchange contracts (forwards, swaps and options)

These are calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date. The fair value of foreign exchange options is determined using standard valuation techniques.

Crude and finished product swap and futures contracts

The fair value of crude and product swap contracts is calculated by reference to market prices for contracts with similar maturity profiles at reporting date. The fair value of crude and product futures contracts is determined by quoted market prices.

D5 Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a net amount payable by one party to the other.

The Group purchases and sells petroleum products with a number of counterparties with contractual offsetting arrangements, referred to as "buy sell arrangements".

The following table presents the recognised amounts that are netted, or subject to master netting arrangements but not offset, as at reporting date. The column "Net amount" shows the impact on the Group's consolidated balance sheet if all set-off rights were exercised.

2021					
Millions of dollars (Australian dollar equivalent amounts)	Gross amount	Amount offset in the balance sheet	Amount in the balance sheet	Related amount not offset	Net amount
Derivative financial assets	380.5	(309.3)	71.2	(53.7)	17.5
Buy sell arrangements	318.9	(227.7)	91.2	-	91.2
Total financial assets	699.4	(537.0)	162.4	(53.7)	108.7
Derivative financial liabilities	(434.0)	309.3	(124.7)	53.7	(71.0)
Buy sell arrangements	(346.2)	227.7	(118.5)	-	(118.5)
Total financial liabilities	(780.2)	537.0	(243.2)	53.7	(189.5)
2020					
Millions of dollars (Australian dollar equivalent amounts)	Gross amount	Amount offset in the balance sheet	Amount in the balance sheet	Related amount not offset	Net amount
Derivative financial assets	210.3	(169.7)	40.6	(25.0)	15.6
Buy sell arrangements	152.3	(125.5)	26.8	-	26.8
Total financial assets	362.6	(295.2)	67.4	(25.0)	42.4
Derivative financial liabilities	(256.1)	169.7	(86.4)	25.0	(61.4)
Buy sell arrangements	(204.3)	125.5	(78.8)	-	(78.8)
Total financial liabilities	(460.4)	295.2	(165.2)	25.0	(140.2)

Notes to the Financial Statements

D Capital, funding and risk management continued

FOR THE YEAR ENDED 31 DECEMBER 2021

D6 Issued capital

Millions of dollars	2021	2020
Ordinary shares		
Shares on issue at beginning of period – fully paid	502.6	502.6
Shares repurchased for cash ⁽ⁱ⁾	(22.9)	-
Shares on issue at end of period – fully paid	479.7	502.6

(i) On 22 January 2021, the Group completed an Off-market Buy-back of 11,404,848 shares at a price of \$26.34 per share which included a capital component of \$2.01 per share. The total amount paid for the buy back was \$300.4 million and the impact of this transaction on the issued share capital of the Company was to reduce it by \$22.9 million with the remainder from retained earnings. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. The number of issued shares post the buy back was 238.3 million. Refer to Note B4.

In the event of the winding up of the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. The Group grants performance rights to Senior Executives; see the 2021 Remuneration Report for further detail. For each right that vests, the Group intends to purchase shares on-market following vesting.

D7 Reserves

Millions of dollars	2021	2020
Foreign currency translation reserve		
Balance at beginning of reporting period	30.8	42.9
Included in other comprehensive income	40.6	(12.1)
Balance at reporting date	71.4	30.8
Hedging reserve		
Balance at beginning of reporting period	(5.1)	(5.0)
Included in other comprehensive income	12.5	(0.1)
Balance at reporting date	7.4	(5.1)
Equity reserve		
Balance at beginning of reporting period	-	-
Acquisition of non-controlling interests	3.5	-
Balance at reporting date	3.5	-
Equity compensation reserve		
Balance at beginning of reporting period	(20.1)	(18.5)
Included in statement of profit or loss	3.3	(1.6)
Balance at reporting date	(16.8)	(20.1)
Total reserves at reporting date	65.5	5.6

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations where their functional currency is different to the presentation currency of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to future transactions.

Equity reserve

The equity reserve accounts for the differences between the fair value of, and the amounts paid or received for, equity transactions with non-controlling interests.

Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of share-based payments issued to employees over the vesting period, and to recognise the value attributable to the share-based payments during the reporting period.

Notes to the Financial Statements

E Taxation

FOR THE YEAR ENDED 31 DECEMBER 2021

This section provides details of the Group's income tax expense, current tax provision and deferred tax balances and the Group's tax accounting policies.

E1 Income tax (expense)/benefit

E1.1 Recognised in the Consolidated Income Statement

Millions of dollars	2021	2020
Current tax expense		
Current year	(77.8)	(18.5)
Adjustments for prior years	-	(12.1)
Total current tax expense	(77.8)	(30.6)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	(47.6)	170.7
(Utilisation)/recognition of tax losses	(82.6)	101.8
(Utilisation)/recognition of carry forward tax offsets	(1.1)	1.9
Adjustments for prior years	9.5	2.0
Total deferred tax (expense)/benefit	(121.8)	276.4
Total income tax (expense)/benefit	(199.6)	245.8

E1.2 Reconciliation between income tax expense and profit before income tax expense

Millions of dollars	2021	2020
Profit/(loss) before income tax	797.1	(725.6)
Income tax (expense)/benefit using the domestic corporate tax rate of 30% (2020: 30%)	(239.1)	217.7
Effect of tax rates in foreign jurisdictions	75.4	13.6
Change in income tax (expense)/benefit due to:		
Share of net profit of associated entities	3.4	3.2
Tax on minority interest portion of flow through entity profits	11.0	1.3
Current tax expense associated with depreciable assets in flow through entity	(5.7)	(0.7)
Income subject to attribution under controlled foreign company regime	(51.3)	(10.6)
Capital tax losses utilised for which no deferred tax asset was recognised	0.4	16.2
Step-up to market value on pre-CGT sites	-	13.4
Research and development allowances	0.3	0.4
Other	(3.5)	1.4
Income tax over/(under) provided in prior years	9.5	(10.1)
Total income tax (expense)/benefit	(199.6)	245.8

Income tax (expense)/benefit comprises current tax expense and deferred tax expense. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Deferred tax expense represents the changes in temporary differences between the carrying amount of an asset or liability in the consolidated statement of financial position and its tax base.

Taxation of Singaporean entities

At the date of this report, the Australian Taxation Office (ATO) had not finalised its position in relation to the extent to which earnings by the Group's Singaporean entities from transactions with the Group's Australian entities should be subject to corporate income tax in Australia.

Due to the uncertainty over the ATO's final position, the Group has recognised tax liabilities for the period 1 January 2014 to 31 December 2021 in relation to these earnings at the Australian corporate income tax rate of 30%, rather than at the rate payable by the Group's Singaporean entities in Singapore. The difference between these rates is a cumulative tax expense impact (both current and deferred) of \$208.7 million (2020: \$178.9 million) for the period 1 January 2014 to 31 December 2021.

Notes to the Financial Statements

E Taxation continued

FOR THE YEAR ENDED 31 DECEMBER 2021

E1 Income tax (expense)/benefit continued

Taxation of Singaporean entities continued

Under an administrative agreement with the ATO, 50% of the current tax expense impact for the 2014 to 2019 and 2021 years has been paid or is now payable, with the remaining 50% payable pending resolution of the matter. No Australian tax was paid on these earnings in respect of the 2020 year given the Australian tax consolidated group was in a tax loss position. As at 31 December 2021, the Group has recognised \$100.3 million (2020: \$81.0 million) in current tax liability, in relation to this matter.

If the outcome of the ATO's position is in the Group's favour, an amount of income tax expense recognised to date could be written back in future periods. If it is resolved such that the position filed with the ATO is sustained, there would be no impact on the Group's consolidated income statement or net assets.

E2 Deferred tax

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

E2.1 Movement in deferred tax

Millions of dollars Asset/(Liability)	Balance at 1 Jan 21	Change in accounting policy ⁽ⁱ⁾	Income	Equity	Balance Sheet	Net as at 31 December 2021	Deferred tax assets	Deferred tax liabilities
Cash and receivables	(0.7)	-	9.4	-	-	8.7	8.7	-
Inventories	8.2	-	(23.2)	-	-	(15.0)	(6.8)	(8.2)
Property, plant and equipment and intangibles	(166.5)	8.5	(33.4)	-	-	(191.4)	(159.9)	(31.5)
Payables	30.6	-	(5.0)	(5.4)	-	20.2	20.2	-
Interest-bearing liabilities	3.6	-	(2.0)	-	-	1.6	1.6	-
Provisions	230.0	-	(18.3)	(0.9)	-	210.8	209.5	1.3
Lease liabilities	278.3	-	19.8	-	-	298.1	280.7	17.4
Tax asset recognised on tax losses	70.9	-	(69.1)	-	-	1.8	1.8	-
Other	(10.3)	-	-	-	(1.3)	(11.6)	(11.6)	-
Net deferred tax asset	444.1	8.5	(121.8)	(6.3)	(1.3)	323.2	344.2	(21.0)

(i) For further information on the adjustment on application of the IFRS Interpretation Committee decision, refer to note A4.

Notes to the Financial Statements

E Taxation continued

FOR THE YEAR ENDED 31 DECEMBER 2021

E2 Deferred tax continued

E2.1 Movement in deferred tax continued

Millions of dollars Asset/(Liability)	Balance at 1 Jan 20	Income	Equity	Net as at 31 December 2020	Deferred tax assets	Deferred tax liabilities
Cash and receivables	2.8	(3.5)	-	(0.7)	(0.7)	-
Inventories	6.8	1.4	-	8.2	8.2	-
Property, plant and equipment and intangibles	(208.8)	13.7	28.6	(166.5)	(139.7)	(26.8)
Payables	22.5	8.7	(0.6)	30.6	29.9	0.7
Interest-bearing liabilities	4.7	(0.6)	(0.5)	3.6	3.6	-
Provisions	111.4	118.5	0.1	230.0	228.3	1.7
Lease liabilities	250.6	27.8	(0.1)	278.3	262.3	16.0
Tax asset recognised on tax losses	-	101.8	(30.9)	70.9	70.9	-
Other	(17.8)	8.5	(1.0)	(10.3)	(9.0)	(1.3)
Net deferred tax asset	172.2	276.3	(4.4)	444.1	453.8	(9.7)

E2.2 Deferred tax recognised directly in equity

Millions of dollars	2021	2020
Related to actuarial gains	(1.1)	0.1
Related to derivatives	(5.4)	(0.6)
Related to change in fair value of net investment hedges	-	(0.5)
Related to foreign operations – foreign currency translation differences	-	(0.9)
Related to share-based payments	0.2	0.5
Related to retained earnings	8.5	-
Ampol Property Trust – Divestment of Minority Interest	-	(3.0)
	2.2	(4.4)

E2.3 Unrecognised deferred tax assets

Millions of dollars	2021	2020
Capital tax losses	-	0.5

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which these benefits can be utilised by the Group. These have not been tax effected.

E3 Tax consolidation

Ampol recognises all current tax balances relating to its wholly owned Australian resident entities included in the tax consolidated group (TCG). Ampol, in conjunction with the other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts.

Notes to the Financial Statements

F Group structure

FOR THE YEAR ENDED 31 DECEMBER 2021

This section provides information on the Group's structure and how this impacts the results of the Group as a whole, including details of joint arrangements, controlled entities, transactions with non-controlling interests and changes made to the structure during the year.

F1 Controlled entities

Controlled entities are those entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and through its power over the entity.

The following entities were controlled during 2021:

Name	Note	% Interest	
		2021	2020
Companies			
ALD Group Holdings NZ Limited	(v)	100	100
ALD NZ Property Holding Limited	(xxv)(v)	100	-
Ampol Australia Custodians Pty Ltd	(iii)	100	100
Ampol Australia Energy Pty Ltd	(iii)(xx)	100	-
Ampol Australia Management Pty Ltd	(iii)	100	100
Ampol Australia Petroleum Pty Ltd	(iii)	100	100
Ampol Aviation Pty Ltd		100	100
Ampol Bendigo Pty Ltd	(iii)(xv)	-	100
Ampol Convenience PropCo Pty Ltd	(iii)	100	100
Ampol Energy Pty Ltd	(iii)(xi)	100	-
Ampol Energy (Retail) Pty Ltd	(iii)(xxi)	100	-
Ampol Energy Services Pty Ltd	(iii)(xx)	100	-
Ampol Energy (Wholesale) Pty Ltd	(iii)(xxi)	100	-
Ampol Fuel Services Pty Ltd	(iii)	100	100
Ampol Holdings NZ Limited	(xix)(v)	100	-
Ampol Hydrogen Pty Ltd	(iii)(xx)	100	-
Ampol International Holdings Pte Ltd	(ii)	100	100
Ampol LPG Pty Ltd		100	100
Ampol Lubricating Oil Refinery Pty Ltd	(iii)	100	100
Ampol Management Services Pte Ltd	(ii)	100	100
Ampol Petroleum (Qld) Pty Ltd	(iii)	100	100
Ampol Petroleum (Victoria) Pty Ltd	(iii)	100	100
Ampol Petroleum Distributors Pty Ltd	(iii)	100	100
Ampol Petroleum Pty Ltd	(iii)	100	100
Ampol Procurement Services Pte Ltd	(ii)(xvi)	-	100
Ampol Property (Holdings) Pty Ltd	(iii)	100	100
Ampol Property Manager Pty Ltd		100	100
Ampol Property Manager 2 Pty Ltd	(xxii)	100	-
Ampol Refineries (Matrville) Pty Ltd	(xii)	100	100
Ampol Refineries (NSW) Pty Ltd	(iii)	100	100
Ampol Refineries (Qld) Pty Ltd	(iii)	100	100
Ampol Retail Pty Ltd	(iii)	100	100
Ampol Road Pantry Pty Ltd	(xv)	-	100
Ampol Shipping and Logistics Pte Ltd	(ii)	100	100
Ampol Singapore Trading Pte Ltd	(ii)	100	100
Ampol US Holdings LLC	(x)	100	100
Ampol US Management Services LLC	(x)	100	100
Ampol US Trading LLC	(x)	100	100
B & S Distributors Pty Ltd	(xxiii)	100	50
Bowen Petroleum Services Pty Ltd	(xv)	-	100

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F1 Controlled entities continued

Name	Note	% Interest	
		2021	2020
Caltex Australia Nominees Pty Ltd	(xiv)	-	100
Centipede Holdings Pty Ltd		100	100
Circle Petroleum (Q'land) Pty Ltd	(xv)	-	100
Cocks Petroleum Pty Ltd	(xii)	100	100
Cooper & Dysart Pty Ltd		100	100
Graham Bailey Pty Ltd	(iii)	100	100
Gull New Zealand Ltd	(v)	100	100
Hanietee Pty Ltd	(iii)	100	100
Hunter Pipe Line Company Pty Ltd	(iii)	100	100
Jayvee Petroleum Pty Ltd	(xv)	-	100
Jet Fuels Petroleum Distributors Pty Ltd	(iii)	100	100
Link Energy Pty Ltd		100	100
Manworth Pty Ltd		100	100
Newcastle Pipe Line Company Pty Ltd	(iii)	100	100
Northern Marketing Management Pty Ltd		100	100
Northern Marketing Pty Ltd	(iii)	100	100
Octane Insurance Pte Ltd	(ii)	100	100
Pilbara Fuels Pty Ltd		100	100
R & T Lubricants Pty Ltd	(iii)	100	100
Real FF Pty Ltd	(iii)	100	100
Ruzack Nominees Pty Ltd	(xiv)	-	100
Sky Consolidated Property Pty Ltd		100	100
Solo Oil Australia Pty Limited		100	100
Solo Oil Corporation Pty Ltd	(xiv)	-	100
Solo Oil Investments Pty Ltd	(iii)	100	100
Solo Oil Pty Ltd	(iii)	100	100
South Coast Oils Pty Ltd	(xv)	-	100
South East Queensland Fuels Pty Ltd		100	100
Sydney Metropolitan Pipeline Pty Ltd		60	60
Teraco Pty Ltd	(iii)(xxiii)	100	50
Terminals New Zealand Ltd	(v)	100	100
Tulloch Petroleum Services Pty Ltd	(xv)	-	100
Votrant No. 370 Pty Ltd	(xxiv)	100	-
Western Fuel Distributors Pty Ltd	(xxiii)	100	50
Zeal Achiever Ltd	(xiii)	100	100
Unit trusts			
Ampol Property Trust	(ix)	51	51
Ampol Property Trust 2 (formerly known as Ampol Convenience REIT)	(xvii)	100	100
Eden Equity Unit Trust	(vi)	100	100
Petroleum Leasing Unit Trust	(vii)	100	100
Petroleum Properties Unit Trust	(vii)	100	100
South East Queensland Fuels Unit Trust	(viii)	100	100

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F1 Controlled entities continued

- (i) All companies are incorporated in Australia, except where noted otherwise.
- (ii) Incorporated in Singapore.
- (iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 as amended, varied and restated with Ampol and each other.
- (iv) Included as controlled entities in accordance with *AASB 10 Consolidated Financial Statements*. In each case, control exists because a company within the Group has the ability to dominate the composition of the entity's Board of Directors or enjoys the majority of the benefits and is exposed to the majority of the risks of the entity.
- (v) Incorporated in New Zealand.
- (vi) Ampol Petroleum Distributors Pty Ltd is the sole unit holder.
- (vii) Solo Oil Pty Ltd is the sole unit holder.
- (viii) Ampol Australia Petroleum Pty Ltd and Ampol Petroleum Distributors Pty Ltd each own half of the units in this trust.
- (ix) On 20 November 2020, a Charter Hall and GIC consortium acquired a 49% interest of Ampol Property Trust.
- (x) Incorporated in Delaware, United States of America.
- (xi) Incorporated on 14 May 2021.
- (xii) The directors of the company declared that the company was solvent pursuant to section 494 of the *Corporations Act 2001*. Its shareholder resolved to wind up the company voluntarily on 20 December 2019.
- (xiii) Australian tax resident incorporated in the British Virgin Islands.
- (xiv) On 9 February 2021, this company was deregistered with ASIC.
- (xv) On 20 January 2021, this company was deregistered with ASIC.
- (xvi) The Accounting and Corporate Regulatory Authority application has approved a formal strike off on 6 September 2021.
- (xvii) Ampol Property Trust 2 (formerly known as Ampol Convenience REIT) is the sole unit holder.
- (xviii) Incorporated on 2 March 2021.
- (xix) Incorporated on 12 October 2021.
- (xx) Incorporated on 28 October 2021.
- (xxi) Incorporated on 18 August 2021.
- (xxii) Incorporated on 21 October 2021.
- (xxiii) On 4 November 2021, this entity became wholly owned.
- (xxiv) On 4 November 2021, Ampol Australia Petroleum Pty Ltd acquired 100% of previously held 23.08% investment.
- (xxv) ALD NZ Property Holding Limited previously known as Charlton Properties (2004) Limited incorporated on 2 March 2015. Acquired by Ampol Australia Petroleum Pty Ltd on 6 September 2021.

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F1 Controlled entities continued

F1.1 Deed of Cross Guarantee

The parent entity has entered into a Deed of Cross Guarantee through which the Group guarantees the debts of certain controlled entities. The controlled entities that are party to the deed are shown in Note F1.

Consolidated Income Statement for entities covered by the Deed of Cross Guarantee

Millions of dollars	2021	2020
Revenue	15,799.2	11,996.3
Cost of goods sold – historical cost	(14,114.8)	(10,980.8)
Gross profit	1,684.4	1,015.5
Other income	53.7	899.9
Other expense	(50.4)	(434.8)
Selling, distribution and general and administration expenses	(1,272.2)	(1,380.5)
Results from operating activities	415.5	100.1
Finance costs	(113.1)	(109.7)
Finance income	0.4	0.6
Net finance costs	(112.7)	(109.1)
Share of net profit of entities accounted for using the equity method	11.3	10.7
Profit before income tax expense	314.1	1.7
Income tax (expense)/benefit	(135.1)	264.1
Net profit	179.0	265.8
Items that will not be reclassified to profit or loss	2.4	(0.3)
Items that may be reclassified subsequently to profit or loss	12.5	(0.1)
Other comprehensive income for the period, net of income tax	14.9	(0.4)
Total comprehensive income for the period	193.9	265.4
Retained earnings at the beginning of the year	2,493.2	2,417.6
Acquired minority interest included in Deed of Cross Guarantee ⁽ⁱ⁾	1.4	-
Current year earnings	179.0	265.8
Movement in reserves	2.4	(0.4)
Shares bought back	(277.5)	-
Dividends provided for or paid	(178.7)	(189.8)
Retained earnings at the end of the year	2,219.8	2,493.2

(i) On 4 November 2021, Teraco Pty Ltd became wholly owned.

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F1 Controlled entities continued

F1.1 Deed of Cross Guarantee continued

Consolidated Balance sheet for entities covered by the Deed of Cross Guarantee

Millions of dollars	2021	2020
Current assets		
Cash and cash equivalents	407.6	286.5
Trade and other receivables	1,136.7	1,112.5
Inventories	1,150.6	821.9
Total current assets	2,694.9	2,220.9
Non-current assets		
Trade and other receivables	730.0	458.5
Investments accounted for using the equity method	184.0	177.2
Ampol Property Trust investment	734.8	728.5
Property, plant and equipment	2,783.1	3,732.5
Intangibles	246.4	283.0
Deferred tax assets	365.2	443.5
Employee benefits	5.6	2.9
Total non-current assets	5,049.1	5,826.1
Total assets	7,744.0	8,047.0
Current liabilities		
Payables	1,936.9	1,469.5
Interest-bearing liabilities	159.6	230.9
Current tax liabilities	199.1	169.6
Employee benefits	129.8	98.9
Provisions	95.5	173.0
Total current liabilities	2,520.9	2,141.9
Non-current liabilities		
Payables	12.8	16.0
Interest-bearing liabilities	2,025.9	2,415.0
Deferred tax liabilities	21.0	9.7
Employee benefits	5.1	6.1
Provisions	464.9	484.0
Total non-current liabilities	2,529.7	2,930.8
Total liabilities	5,050.6	5,072.7
Net assets	2,693.4	2,974.3
Equity		
Issued capital	479.7	502.6
Treasury stock	(1.5)	(1.6)
Reserves	(4.6)	(19.9)
Retained earnings	2,219.8	2,493.2
Total equity	2,693.4	2,974.3

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F2 Business combinations

There were no material business combinations during the years ended 31 December 2021 or 31 December 2020.

F3 Equity-accounted investees

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control. Joint ventures are those entities whose financial and operating policies the Group has joint control over and where the Group has rights to the net assets of the entity.

The Consolidated Financial Statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity-accounted basis, from the date that significant influence or joint control commences until the date that it ceases. When the Group's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Other movements in reserves are recognised directly in the consolidated reserves.

Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates and joint ventures are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

F3.1 Investments in associates and joint ventures

Name	Country of incorporation	% Interest	
		2021	2020
Investments in associates			
Bonney Energy Group Pty Ltd ⁽ⁱ⁾	Australia	50	50
Endua Pty Ltd ⁽ⁱⁱ⁾	Australia	20	-
EVOS Technology Pty Ltd ⁽ⁱⁱⁱ⁾	Australia	-	-
Geraldton Fuel Company Pty Ltd	Australia	50	50
Seaoil Philippines Inc.	Philippines	20	20
Car Next Door Australia Pty Ltd ^(iv)	Australia	-	17.2
Investments in joint ventures			
Airport Fuel Services Pty Limited	Australia	40	40
Australasian Lubricants Manufacturing Company Pty Ltd ^(v)	Australia	50	50
Cairns Airport Refuelling Service Pty Ltd	Australia	33.3	33.3

(i) On 31 January 2020, Ampol Australia Petroleum Pty Ltd converted its \$15.0 million 2016 convertible note to a 50% equity interest in Bonney Energy Group Pty Ltd (formerly Caltas Pty Ltd). The carrying amount of this investment at 31 December 2021 was \$16.9 million (2020: \$15.6 million).

(ii) On 19 May 2021, Ampol Energy Pty Ltd acquired a 20% equity interest in Endua Pty Ltd for \$1.5 million.

(iii) On 8 June 2021, Ampol Energy Pty Ltd acquired rights in EVOS Technology Pty Ltd whereby Ampol has the right to shares in EVOS. As this right is currently exercisable at Ampol's discretion, the investment is accounted for as an associate.

(iv) On 24 December 2021, the Group sold its investment in Car Next Door Australia Pty Ltd for proceeds of \$16.7 million and recorded a net accounting gain of \$12.5 million.

(v) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015 and had a nil carrying value at 31 December 2021.

The companies listed in the above table were incorporated in Australia and the Philippines and have a 31 December balance date with the exception of Bonney Energy Group Pty Ltd which has a 30 June balance date. These companies' main course of business primarily relate to the sale, marketing and/or distribution of fuel products and the operation of convenience stores with the exception of Endua Pty Ltd (Endua), EVOS Technology Pty Ltd (EVOS) and Car Next Door Australia Pty Ltd. Endua is principally concerned with the generation and storage of clean hydrogen power and EVOS with the design and manufacture of electric vehicle charging products.

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F3 Equity-accounted investees continued

F3.2 Investments in associates

Millions of dollars	Revenue (100%)	Profit (100%)	Share of associates' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associates net assets equity accounted	Elimination of unrealised loss in inventories	Goodwill	Total share of associates' net assets equity accounted ⁽ⁱ⁾
2021	1,979.3	42.7	11.4	798.7	482.2	314.9	84.9	-	110.2	183.3
2020	1,562.6	46.3	10.7	629.0	332.2	296.9	76.5	0.1	99.8	176.4

(i) Total shares of associates' net assets equity accounted adjusted for \$11.8 million cash injection on Seaoil Philippines, Inc.

F3.3 Investments in joint ventures

Millions of dollars	Revenue (100%)	Profit (100%)	Share of joint ventures' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2021	-	(0.4)	(0.1)	2.0	0.2	1.8	0.7
2020	5.0	-	-	1.9	-	1.9	0.8

F4 Joint operations

Joint operations are those entities over whose financial and operating policies the Group has joint control, and where the Group has rights to the assets and obligations for the liabilities of the entity.

The interests of the Group in unincorporated joint operations are brought to account by recognising in its Financial Statements the assets it controls and the liabilities it incurs, and the revenue and expenses it incurs and share of income it earns from the the sale of goods or services by the joint operation.

The Group has joint interests in multiple Joint User Hydrant Installations (JUHIs), which are based at airports across Australia. The Group's interest in the JUHIs ranges from 20% to 50%. The principal activity of the JUHIs is refuelling aircraft at the airports.

For the year ended 31 December 2021 the contribution of the JUHIs to the operating profit of the Group was nil (2020: nil). Included in the assets and liabilities of the Group are the Group's interests in the assets and liabilities employed in the joint operation.

Millions of dollars	2021	2020
Non-current assets		
Plant and equipment	63.5	62.7
Less: accumulated depreciation	(24.5)	(23.3)
Total non-current assets	39.0	39.4
Total assets	39.0	39.4

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F5 Parent entity disclosures

As at and throughout the financial year ended 31 December 2021, the parent entity of the Group was Ampol Limited.

Millions of dollars	2021	2020
Result of the parent entity		
Profit for the period	820.9	201.0
Other comprehensive income/(loss)	18.3	16.5
Total comprehensive income for the period	839.2	217.5
Financial position of parent entity at year end		
Current assets	34.4	29.8
Total assets	5,453.3	5,352.5
Current liabilities	109.4	108.7
Total liabilities	4,841.5	5,098.6
Total equity of the parent entity comprising		
Issued capital	479.7	502.6
Treasury stock	(1.5)	(1.6)
Reserves	(2.5)	(18.5)
Retained earnings	136.1	(228.6)
Total equity	611.8	253.9

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note F1.

The bank guarantee and letter of credit arrangements provided by the parent entity are consistent with those held by the Group as disclosed in Note G2.

Notes to the Financial Statements

F Group structure continued

FOR THE YEAR ENDED 31 DECEMBER 2021

F6 Non-controlling interest disclosures

Presented below is the financial information of the Group relating to Ampol Property Trust. This subsidiary of the Group has a non-controlling interest (NCI) which is material to the Group. The information below is before the elimination of intercompany transactions with the exception of the fair value adjustment that the Ampol Property Trust recorded in relation to the investment properties acquired. This fair value adjustment is not recognised in the Consolidated Group accounts and is therefore not reflected in the Net assets attributable to NCI shown in the Consolidated Financial Statements.

Millions of dollars	Amopol Property Trust	
	2021	2020
NCI percentage	49%	49%
Balance sheet		
Current assets	18.4	7.0
Non-current assets	516.7	522.9
Current liabilities	(0.8)	(0.9)
Non-current liabilities	-	-
Net assets attributable to unit holders	534.3	529.0
Net assets attributable to NCI	261.8	259.2
Income Statement		
Revenue	92.9	8.9
Expenses	(17.6)	(0.2)
Total comprehensive income for the year	75.3	8.7
Profit allocated to NCI	36.9	4.3
Statement of cash flows		
Cash flows from operating activities	83.0	2.7
Cash flows from investing activities	(12.2)	(700.9)
Cash flows from financing activities	(70.0)	698.2
Net increase/(decrease) in cash held	0.8	0.0
Transactions with non-controlling interests		
Amopol Property Trust		
Profit allocated	36.9	4.3
Distributions paid	(40.3)	(1.2)
Proceeds from purchase of units in Ampol Property Trust	6.0	-
Other non-controlling interests		
Profit allocated	0.6	0.8
Distributions paid	(1.2)	-
Acquisition of minority interest, net of tax ⁽ⁱ⁾	(3.5)	-
Net assets attributable to other NCI	10.3	14.4

(i) On 4 November 2021, Ampol Australia Petroleum Pty Ltd wholly acquired Votrait No. 370 Pty Ltd, Teraco Pty Ltd and Western Fuel Distributors Pty Ltd. Refer to Note F1 for further information.

Notes to the Financial Statements

G Other information

FOR THE YEAR ENDED 31 DECEMBER 2021

This section includes other information to assist in understanding the financial performance and position of the Group, or items to be disclosed to comply with accounting standards and other pronouncements.

G1 Commitments

Capital expenditure

Millions of dollars	2021	2020
Capital expenditure contracted but not provided for in the financial report and payable	23.0	23.0

On 25 August 2020, Ampol announced, after successfully applying to a tender with Transport for New South Wales that Ampol had won the right to lease and redevelop four existing highway service centres located on the M4 Motorway at Eastern Creek and on the M31 Hume Highway at Pheasants Nest. The estimated redevelopment capital expenditure of ~\$100 million is expected to be contracted and spent during 2022 and 2023. DA approval has not yet been granted as at 31 December 2021.

G2 Contingent liabilities

Discussed below are items where either it is not probable that the Group will have to make future payments or the amounts of the future payments are not able to be measured.

Legal and other claims

In the ordinary course of business, the Group is involved as a plaintiff or defendant in legal proceedings. Where appropriate, Ampol takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

Bank guarantees

The Group has entered into letters of credit in the normal course of business to support crude and product purchase commitments and other arrangements entered into with third parties. In addition, the Group has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities. The probability of having to make a payment under these arrangements is remote.

Deed of Cross Guarantee and class order relief

Details of the Deed of Cross Guarantee are disclosed in Note F1.

G3 Related party disclosures

Associates

Associate related party transactions are as follows:

Dollars	2021	2020
Income Statement		
Petroleum sales	1,164,983,000	712,897,000
Rental income	2,123,000	2,119,000
Dividend and disbursements	2,050,000	1,877,000
Total Income Statement impact	1,169,156,000	716,893,000
Balance Sheet		
Receivables	75,211,000	33,404,000
Total Balance Sheet impact	75,211,000	33,404,000

The Group has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of the Group's interests are set out in Note F3.

Joint venture and joint operations

The Group has interests in joint arrangements primarily for the marketing, sale and distribution of fuel products and the operation of convenience stores.

There were no other material related party transactions with the Group's joint arrangements entities during 2021 (2020: nil). Details of the Group's interests are set out in notes F3 and F4.

Notes to the Financial Statements

G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2021

G4 Key Management Personnel

The aggregate remuneration of Key Management Personnel of the Group during 2021 and 2020 were:

Key Management Personnel compensation

Thousands of dollars	2021	2020
Short-term benefits	10,543.8	6,421.2
Other long-term benefits	117.0	138.3
Post-employment benefits	622.1	268.3
Termination benefits	-	1,311.8
Retention payments	531.0	2,655.1
Share-based payments	2,775.5	299.9
Total Key Management Personnel compensation	14,589.4	11,094.6

Information regarding Directors' and Executives' compensation and some equity instrument disclosures is provided in the Remuneration Report section of the Directors' Report.

Notes to the Financial Statements

G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2021

G5 Notes to the cash flow statement

G5.1 Reconciliation of cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents includes:

Millions of dollars	2021	2020
Cash at bank	566.3	367.6
Total cash and cash equivalents	566.3	367.6

G5.2 Reconciliation of net profit to net operating cash flows

Millions of dollars	2021	2020
Net profit/(loss)	560.0	(484.9)
Adjustments for:		
Loss on sale of property, plant and equipment	2.7	0.2
Impairment of fixed assets	19.7	393.3
Impairment reversal of fixed assets	(9.0)	-
Impairment of information technology assets	24.5	20.1
Finance charges on leases	54.9	57.2
Interest paid capitalised	(0.1)	(0.3)
Amortisation of finance costs	4.0	3.9
Depreciation of property, plant and equipment	363.9	394.3
Amortisation of intangibles	17.1	27.9
Share based payment and treasury stock reserve movements net of expense	3.4	(1.6)
Share of associates' and joint ventures' net profit	(11.3)	(10.7)
Movements in assets and liabilities:		
(Increase)/decrease in receivables	(635.6)	588.9
(Increase)/decrease in inventories	(710.6)	755.2
Increase/(decrease) in payables	999.1	(1,369.8)
Increase/(decrease) in current tax balances	38.9	(28.1)
Decrease/(increase) in net deferred tax assets	120.9	(271.9)
(Decrease)/increase in provisions	(65.0)	350.0
Finance cost paid	(49.8)	(43.7)
Lease interest paid	(54.9)	(57.2)
Income taxes paid	(38.2)	(55.2)
Net operating cash inflows	634.6	267.6

Notes to the Financial Statements

G Other information continued

FOR THE YEAR ENDED 31 DECEMBER 2021

G6 Auditor remuneration

Thousands of dollars	2021	2020
Audit and review services		
Auditors of the Group – KPMG		
Audit and review of financial statements – Group ⁽ⁱ⁾	1,788.0	1,492.9
Audit and review of financial statements – controlled entities	308.0	173.9
	2,096.0	1,666.8
Assurance services		
Auditors of the Group – KPMG		
Regulatory assurance services	100.0	31.5
Other assurance services	48.5	10.1
	148.5	41.6
Other services		
Auditors of the Group – KPMG		
Taxation advice and tax compliance services	17.4	14.5
Other services	-	559.5
	17.4	574.0

(i) The 2021 audit fee includes one off audit work in respect of the impact of COVID-19 on financial statement balances.

G7 Net tangible assets per share

Millions of dollars	2021	2020
Net tangible assets per share	10.78	9.58

Net tangible assets are net assets attributable to members of the Group less intangible assets. The number of ordinary shares used in the calculation of net tangible assets per share was 238.3 million (2020: 249.7 million).

G8 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022, and have not been applied in preparing these Consolidated Financial Statements. None of these are expected to have a significant effect on the Consolidated Financial Statements of the Group.

G9 Events subsequent to the reporting date

Dividend

On 21 February 2022, the Directors declared a fully franked final dividend. Refer to Note B5 for further information.

COVID-19

The emergence of the Omicron variant of COVID-19 has impacted recent trading and the situation continues to evolve. The Group continues to monitor and review the safeguarding and health of its people and customers, business continuity and cashflow. Nonetheless, the improved momentum in key profitability drivers in the fourth quarter of 2021, coupled with higher refiner margins, reinforced the responsiveness of the Group's earnings to more favourable market conditions.

Other

There were no other items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group that have arisen in the period from 31 December 2021 to the date of this report.

Shareholder Information

As at 26 January 2022

Share capital

There are 238,302,099 fully paid ordinary shares on issue, held by 27,894 holders.

Holders with less than a marketable parcel

469 shareholders hold less than a marketable parcel of \$500 based on a share price of \$29.01 per share.

Shares purchased on-market

From 1 January 2021, 25,388 fully paid ordinary shares were purchased on-market at an average cost of \$27.60 per share for the purpose of the Ampol Limited Employee Share Plan.

From 1 January 2021, 20,457 fully paid ordinary shares were purchased on-market at an average cost of \$27.64 per share for the purpose of the Ampol Limited Equity Incentive Plan.

Substantial shareholders

Substantial shareholder	Number of shares held	% of issued capital
Australian Retirement Fund	27,712,722	11.63
State Street Corporation	17,497,546	7.34
BlackRock Inc	15,309,973	6.42
Airlie Funds Mgt	12,354,008	5.18

Shareholder distribution

Range	Total holders	Units	% of issued capital
1 – 1,000	22,044	7,955,199	3.34
1,001 – 5,000	5,165	11,047,361	4.64
5,001 – 10,000	457	3,283,338	1.38
10,001 – 100,000	198	4,791,116	2.00
Over 100,001	30	211,225,085	88.64
Total	27,894	238,302,099	100.00

Top 20 shareholders

Details of the 20 largest shareholders of Ampol Limited are listed in the table below.

Rank	Shareholders	Number of shares held	% of issued shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	88,668,079	37.21
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	66,528,024	27.92
3	CITICORP NOMINEES PTY LIMITED	25,530,588	10.71
4	NATIONAL NOMINEES LIMITED	10,357,653	4.35
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,845,524	2.03
6	BNP PARIBAS NOMINEES PTY LTD <DRP>	3,510,545	1.47
7	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,852,975	0.78
8	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,849,125	0.78
9	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	1,528,145	0.64
10	UBS NOMINEES PTY LTD	1,159,632	0.49
11	WARBONT NOMINEES PTY LTD <SETTLEMENT ENTREPOT A/C>	937,000	0.39
12	MUTUAL TRUST PTY LTD	586,515	0.25
13	CITICORP NOMINEES PTY LIMITED <CITIBANK NY ADR DEP A/C>	381,878	0.16
14	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	381,500	0.16
15	BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	344,848	0.14
16	BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C>	289,408	0.12
17	BNP PARIBAS NOMINEES (NZ) LTD <DRP>	217,129	0.09
18	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	210,488	0.09
19	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	197,870	0.08
20	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD DRP>	172,585	0.07
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		209,549,511	87.93
Total remaining holders balance		28,752,588	12.07

Voting rights

Shareholders in Ampol Limited have a right to attend and vote at all general meetings in accordance with the Company's Constitution, the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website. Visit: www.ampol.com.au

Australian Securities Exchange

The Company's fully paid ordinary shares (ASX:ALD) are listed on the Australian Securities Exchange.

Company secretaries

Michael Abbott is appointed as Company Secretary of Ampol Limited.

Directory

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