Fisher & Paykel Healthcare

NOTICE OF ANNUAL SHAREHOLDERS' MEETING

2020

Fisher & Paykel HEALTHCARE

The Annual Shareholders' Meeting of Fisher & Paykel Healthcare Corporation Limited (NZBN 9429040719887 and ABN 69 098 026 281) will be held online at **www.virtualmeeting.co.nz/FPH20** and in person at the Guineas Ballroom, Ellerslie Event Centre, Auckland, New Zealand on Friday, 21 August 2020 commencing at 2.00pm (NZST).

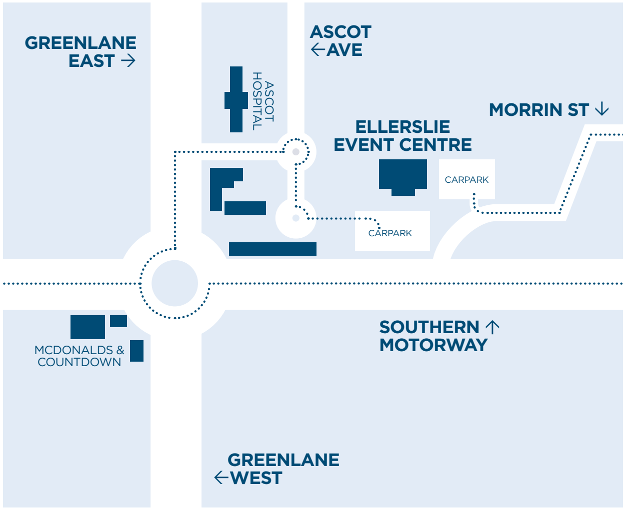
COVID-19 IMPLICATIONS

The Company is closely monitoring the situation in New Zealand with regard to COVID-19. In the event of any significant developments, the Company may, in its sole discretion, elect to hold the Annual Shareholders' Meeting as an online only meeting if it considers there are potential risks to the health of meeting attendees or if an in-person meeting is prohibited by law. In such circumstances, the Company will provide shareholders with as much notice as is reasonably practicable by way of an announcement to the NZX and ASX and on the Company's website at www.fphcare.com/asm.

IMPORTANT DATES

Record date for voting entitlements for the Annual Shareholders' Meeting	5.00pm, Wednesday 19 August 2020 (NZST)
Latest time for receipt of postal votes and proxies	2.00pm, Wednesday 19 August 2020 (NZST)
Annual Shareholders' Meeting	2.00pm, Friday 21 August 2020 (NZST)

HOW TO GET TO THE ELLERSLIE EVENT CENTRE



BUSINESS

A. CHAIR'S ADDRESS

B. MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REVIEW

C. FINANCIAL STATEMENTS

To receive and consider the financial statements and the auditor's report for the year ended 31 March 2020 as contained in the Company's 2020 annual report.

D. RESOLUTIONS

To consider and, if thought appropriate, pass the following ordinary resolutions.

Re-Election of Directors

(1) That Pip Greenwood be re-elected as a director of the Company.

(2) That Geraldine McBride be re-elected as a director of the Company.

(See Explanatory Note 1)

Auditor's Remuneration

(3) That the Directors be authorised to fix the fees and expenses of PricewaterhouseCoopers as the Company's auditor.

(See Explanatory Note 2)

Directors' Remuneration

(4) That the maximum aggregate annual remuneration payable to non-executive Directors be increased by NZ$405,000 from NZ$1,050,000 to NZ$1,455,000 (plus GST as appropriate).

(See Explanatory Note 3)

Long Term Variable Remuneration issued to the Managing Director and Chief Executive Officer

(5) That approval be given for the issue of up to 60,000 performance share rights under the Fisher & Paykel Healthcare 2019 Performance Share Rights Plan to Lewis Gradon, Managing Director and Chief Executive Officer of the Company.

(6) That approval be given for the issue of up to 190,000 options under the Fisher & Paykel Healthcare 2019 Share Option Plan to Lewis Gradon, Managing Director and Chief Executive Officer of the Company.

(See Explanatory Note 4)

Long Term Variable Remuneration Issue to North American Employees

(7) That the 2019 Performance Share Rights Plan Rules – North American Plan and the 2019 Share Option Plan Rules - North American Plan be approved.

(See Explanatory Note 5)

SHAREHOLDER QUESTIONS

Consideration of any shareholder questions raised during the meeting.

By Order of the Board of Directors

TONY CARTER, CHAIR
17 JULY 2020

PROCEDURAL NOTES

Persons entitled to vote

The persons who will be entitled to vote on the resolutions at the Annual Shareholders' Meeting are those persons who will be the shareholders of the Company at 5.00pm on Wednesday, 19 August 2020 (NZST).

Casting a vote

The voting form enclosed with this notice allows you, or your proxy, to vote either for or against, or abstain from, each of the resolutions. Votes may be cast in any one of the following ways:

Meeting attendance

Attending in person:

Shareholders present at the Annual Shareholders' Meeting in person may cast their votes at the meeting. Download the "LinkVote" App available at the App Store or Google Play Store to vote at the meeting using your Apple or Android phone. Further detailed instructions will be provided on the day of the meeting. Alternatively, if you prefer to vote using a paper card, this option will be available.

Attending online:

To attend the meeting online please go to **www.virtualmeeting.co.nz/FPH20**. Shareholders attending online will be able to vote and ask questions during the Annual Meeting. More information regarding virtual attendance at the Annual Meeting (including how to vote and ask questions virtually during the Meeting) is available in the Virtual Annual Meeting Online Portal Guide available at **https://bcast.linkinvestorservices.co.nz/generic/docs/OnlinePortalGuide.pdf**.

Online and postal voting prior to the meeting

Shareholders may directly cast a vote prior to the meeting online at vote.linkmarketservices.com/FPH/ or by post by completing and lodging the enclosed voting form with the share registrar, Link Market Services Limited at PO Box 91976, Auckland 1142, New Zealand, in accordance with the instructions set out on the form.

In either case the vote must reach Link Market Services Limited not later than 48 hours before the time of the holding of the meeting (i.e. before 2.00pm on Wednesday, 19 August 2020 (NZST)). The Board has authorised Link Market Services to receive and count postal votes.

Proxy

Shareholders may appoint a proxy to attend the Annual Shareholders' Meeting and vote in their place.

A body corporate which is a shareholder may appoint a representative to attend on its behalf in the same manner as that in which it could appoint a proxy.

A proxy need not be a shareholder of the Company. A shareholder who wishes to do so may appoint the Chair of the Meeting to act as proxy.

A proxy will vote as directed in the proxy form or, if voting is left to the proxy's discretion, then the proxy will decide how to vote on the resolutions (subject to the comments under "Voting Restrictions" below). If the Chair is appointed as proxy and the voting is left to his discretion, the Chair intends to vote in favour of each of Resolutions (1) to (3) and Resolutions (5) and (6). The Chair will abstain from voting on any discretionary proxies in respect of Resolution (4).

To appoint a proxy, go online to vote. **linkmarketservices.com/FPH/** or complete and lodge the enclosed voting form with the share registrar, Link Market Services Limited, in accordance with the instructions set out on the form. In either case the proxy must be received not later than 48 hours before the time of the holding of the meeting (i.e. before 2.00pm on Wednesday, 19 August 2020 (NZST)).

Voting Restrictions

The Company will disregard any votes cast in favour of Resolution (4) by any Director of the Company and any of his or her associated persons. The Company will also disregard any votes cast in favour of Resolutions (5) or (6) by Lewis Gradon and any of his associated persons (in each case the term "associated persons" is as defined in the NZX Listing Rules).

The Company need not disregard a vote cast in favour of Resolutions (4), (5) or (6) if it is cast by any of the above people as proxy for a person who is entitled to vote, in accordance with an express direction on the proxy form.

Resolutions

All the Resolutions contained in this Notice of Meeting must be passed by an ordinary resolution of shareholders, i.e. by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

NZX

This Notice of Meeting has been reviewed by NZX Limited (**NZX**) in accordance with NZX Listing Rule 7.1 and NZX has confirmed it does not object to this Notice. NZX does not take any responsibility for any statement in this Notice.

EXPLANATORY NOTES

EXPLANATORY NOTE 1 – RE-ELECTION OF DIRECTORS

Under NZX Listing Rule 2.7, a Director must not hold office (without re-election) past the third annual meeting following the Director's appointment or three years, whichever is the longer.

Tony Carter, Pip Greenwood and Geraldine McBride are the Directors retiring in 2020. Being eligible, both Pip Greenwood and Geraldine McBride offer themselves for re-election. Tony Carter has held the role of chairman at Fisher & Paykel Healthcare since April 2012 after joining the Board in 2010. His retirement was signalled to the Board last year and it is generally expected that the Company's non-executive directors will serve for a period of approximately nine years. Accordingly, Tony Carter does not offer himself for re-election. Current Director Scott St John has been elected by the Board to succeed Tony Carter as chairman and the Company is undertaking a search for another independent director to replace Tony Carter.

Both Directors standing for re-election do so with the support of the Board, having considered the tenure, contribution to the Board, attendance, experience, other commitments and positions, and performance generally for each of Pip Greenwood and Geraldine McBride.

Pip Greenwood

Pip became a Director of the Company in June 2017. Pip is also a director of Spark New Zealand Limited, a2 Milk Company Limited, and Westpac New Zealand, a current trustee of the Auckland Writers Festival and served as a member of the New Zealand Takeovers Panel from 2007 to 2011. Pip was a partner at Russell McVeagh between 2001 and 2019 and previously served as the firm's Board Chair. Pip has a Bachelor of Laws and has advised on many market-leading transactions.

The Board considers Pip to be an independent Director.

Geraldine McBride

Geraldine became a Director of the Company in August 2013. She is also a director of National Australia Bank and Sky Network Television Ltd. Geraldine has been involved in the technology industry for 30 years and has a wealth of global experience. She has held senior executive roles at SAP AG and Dell Inc, is a former President of SAP North America, and the founder and CEO of MyWave. Geraldine has a Bachelor of Science.

The Board considers Geraldine to be an independent Director.

EXPLANATORY NOTE 2 – AUDITOR'S REMUNERATION

Under section 207T of the Companies Act 1993, PwC is automatically reappointed as the auditor of the Company and this resolution authorises the Board to fix the fees and expenses of the auditor in accordance with section 207S of the Companies Act 1993.

EXPLANATORY NOTE 3 – DIRECTORS' REMUNERATION

The Board reviews non-executive director fees on an annual basis to ensure they are appropriate and thereby enable the Company to attract and retain Directors who contribute to the successful management of the Company and create value for shareholders.

In December 2019, the Board engaged EY to undertake a benchmarking exercise in order to assess the appropriateness of the fees being paid to Directors. The EY report, which was completed in March 2020, benchmarked the Company's current fees against NZX and ASX companies of a similar size and scale to the Company. The report concluded that current Board Chair fees and non-executive Director fees were between the 25th percentile and median of the selected comparator group.

Fisher & Paykel Healthcare is a global leader in the market for respiratory humidification products. The company has over 5,000 people in 39 countries, manufacturing facilities in New Zealand and Mexico and 99% of the company's revenue is generated outside of New Zealand. Medical devices are highly regulated and regulatory requirements are increasing globally. These factors, together with the significant growth of the Company over the past three years, have resulted in an increase in the complexity of matters for consideration by the Board.

As a result, shareholders are being asked to approve an increase in the total amount available for payment of non-executive Directors' fees by NZ$405,000 from NZ$1,050,000 per annum to NZ$1,455,000 per annum (plus GST as appropriate), being an increase of 39%. The Directors may determine the amount payable to each non-executive Director within the maximum aggregate amount being approved by shareholders. For the voting exclusions applicable to this resolution, please refer to Procedural Notes included in this Notice of Meeting.

Current director fees

Fees paid to the Company's non-executive Directors for the year ended 31 March 2020 totalled NZ$1,045,627 (including a travel allowance for overseas based directors). A break-down of the fees paid to Directors for Board and Committee membership is set out on pages 12-13.

Shareholders last approved an increase in total annual remuneration for the Company's non-executive Directors in August 2017. At that time, the Board indicated that the increase would provide sufficient headroom to accommodate remuneration for non-executive Directors for at least three years. Since 2017:

- the base fee paid to a non-executive Director has increased 10.7% or an annual compound growth rate of 3.5%;
- net profit after tax has increased by 70%, at an annual compound growth rate of 19%, from NZ$169.2 million for the year ended 31 March 2017 to NZ$287.3 million for the year ended 31 March 2020; and
- the Company's market capitalisation has grown by 218%, from approximately NZ$5.5 billion at 31 March 2017 to approximately NZ$17.5 billion at 31 March 2020.

Independent benchmarking report

The Board is conscious to ensure Directors' fees are set and managed in a manner which is fair, flexible and transparent. The Company conducted a competitive RFP process in late 2019 to determine who would be appointed to conduct the benchmarking exercise. Criteria that were considered when determining which consultant to appoint included independence and industry experience.

EY was successful in this RFP process and were appointed to conduct the benchmarking exercise and provide an independent recommendation on the appropriate level of non-executive Director fees. EY maintain a significant database of directors' fees information in New Zealand and Australia. Using this database, the Company's current fees were benchmarked against a comparator group, made up of 23 listed entities from both the NZX and ASX that, as at 12 March 2020 were within 50% of the Company's revenue and/or market capitalisation. ASX listed entities that do not operate in the healthcare or global technology industry sectors were specifically excluded from the comparator group. This resulted in a comparator group consisting of 15 companies that have a primary NZX listing and 8 companies that have a primary ASX listing.

A summary of the EY report, which includes the benchmarking methodology, comparator group constituents and non-executive Director fee recommendations, is available on the Company's website (**www.fphcare.co.nz/asm**).

The EY report indicates that the Company's current maximum available annual remuneration for non-executive Directors' is at the lower 25th percentile of the comparator group and recommends a fee pool that would place the company's non-executive Director fees between the median and 75th percentile of the comparator group.

For ease of reference, current company data from the comparator group and the EY recommendations are summarised in the table on pages 12-13.

Events subsequent to receiving independent benchmarking report

Subsequent to the Board receiving the independent benchmarking report from EY, the COVID-19 pandemic has had a significant impact on the global economy. In some instances, companies have temporarily reduced director fees in response to the COVID-19 crisis.

As a result, the Company re-engaged EY in June to assess any changes in director fee practices as a result of COVID-19. EY's research showed that a minority of entities (i.e. 5 out of a total of 23) in the comparator group had made changes to their director fee practices. Where entities had made changes to their fee practices, these changes were temporary in nature, with all changes lasting less than 12 months. Based on the results of their research, and in particular the temporary nature of changes within the comparator sample, EY recommended that the market data documented in their initial report remained relevant and no changes to their initial recommendations were proposed.

Additional considerations

As noted previously, Tony Carter is retiring as Chairman at the conclusion of this year's annual shareholders' meeting and the Company has commenced a process to find his replacement. Following the appointment of a new non-executive Director to replace Tony, this will again bring the total to 7 non-executive Directors on the Board. The median number of non-executive Directors in the comparator group is 7.

Proposed increase to the director fee pool

As a result of the benchmarking process conducted by EY and the Board's consultation with a number of shareholders and shareholder representative bodies, the Board determined to propose an increase in the total annual pool available for remunerating the non-executive Directors as set out previously. The proposed increase to the annual pool represents an increase of 39% over the three-year period since the total Directors' remuneration was last approved by shareholders.

Should the increase in the director fee pool be approved by shareholders at the annual shareholders' meeting, then from 1 September 2020 to 31 March 2021, non-executive Directors' fees would be set so that they are at the midpoint of the EY recommendation. This would place the Company's non-executive Director fees for the 2021 financial year between the median and 75th percentile of the comparator group.

In reaching this recommendation, the Board has considered the experience and responsibility of the Directors, the size and complexity of Fisher & Paykel Healthcare's operations, the level of governance and consequent time commitment, relative to the benchmarking advice from EY.

The existing fee structure, and the proposed fee structure if the increase to the non-executive Directors' fee pool is approved, is set out in the following table.

Annual fee structure **All numbers are provided in NZ$ (excluding GST) except where stated otherwise**	**Current Fee Levels**	**Comparator Group Median**	**Comparator Group Third Quartile**	**EY Recommendations**	**2020 Annual Meeting Recommendation** **Proposed New Fee Levels FY2021**	**Increase**	**% Increase**
Base Fees							
Chairman	234,812	257,250	358,473	250,000 – 280,000	267,500	32,688	14%
Non-executive Director	103,298	121,160	157,168	120,000 – 135,00	127,500	24,202	23%
Overseas Director Travel Allowance	22,154	–	–	–	22,154	–	–
Audit and Risk Committee fees							
Chair	29,365	35,000	41,020	32,500	32,500	3,135	11%
Member	17,608	18,700	21,590	17,608	17,608	–	–
People and Remuneration Committee fees							
Chair	23,460	25,425	33,425	25,000	25,000	1,540	7%
Member	17,608	14,000	16,500	17,608	17,608	–	
Quality, Safety and Regulatory Committee fees							
Chair	23,460	26,068	27,784	23,460	23,460	–	–
Member	17,608	13,570	14,000	17,608	17,608	–	–
Totals							
Non-executive Directors' Fees current and proposed (assuming 7 non-executive Directors for a full year)	**1,045,627**	**–**	**–**	**–**	**1,195,510**	**149,883**	**14%**
Non-executive Directors' Fee Pool	**1,050,000**	**–**	**–**	**–**	**1,455,000**	**405,000**	**39%**
Unallocated Directors' Fees Pool	**4,373**	**–**	**–**	**–**	**272,992**	**–**	**–**

The non-executive Directors' fee pool for shareholder approval at the Annual Shareholders' Meeting is set with reference to 7 non-executive Directors.

EXPLANATORY NOTE 4 – LONG TERM VARIABLE REMUNERATION ISSUED TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Introduction

The Board believes that the issue of equity-based long-term variable remuneration instruments (**LTVR Instruments**) will provide appropriate alignment of participating employees to grow the total shareholder return of the Company. LTVR Instruments also assist the Company to attract, motivate and retain key employees in an environment where such employees are in high demand, both within New Zealand and internationally. LTVR Instruments will be issued to employees as a long-term component of remuneration provided to employees in accordance with the Company's remuneration policy.

The Company currently operates the following long-term variable remuneration arrangements (the **LTVR Plans**) under which LTVR Instruments will be issued to selected executives, managers and employees:

- The Fisher & Paykel Healthcare 2019 Performance Share Rights Plan (the **2019 Performance Share Rights Plan**), under which performance share rights are issued. This was introduced as a replacement for the previous Performance Share Rights Plan that was first introduced in 2012. Under the 2019 Performance Share Rights Plan, performance share rights vest and become exercisable for ordinary shares depending on the achievement of a designated total shareholder return hurdle.
- The Fisher & Paykel Healthcare 2019 Share Option Plan (the **2019 Option Plan**). This was introduced as a replacement for the 2003 Share Option Plan. Under the 2019 Option Plan, options are issued, which vest and become exercisable for ordinary shares depending on share price performance relative to a cost of capital benchmark.

Shareholder approval being sought

Shareholder approval is being sought:

- under resolution 5, to issue up to 60,000 performance share rights under the Performance Share Rights Plan; and
- under resolution 6, to issue up to 190,000 options under the Option Plan,

in each case to Lewis Gradon, the Managing Director and Chief Executive Officer of the Company. Mr Gradon is the only Director eligible to participate in new grants under the LTVR Plans. The Company intends to issue these LTVR Instruments to Mr Gradon within six months of the date of the Annual Shareholders' Meeting.

The below tables compare the number of LTVR Instruments proposed to be issued to Mr Gradon this year against the total maximum number proposed last year, as well as the total number of actual LTVR Instruments issued to Mr Gradon last year.

SHARE RIGHTS			OPTIONS			LTVR INSTRUMENTS TOTAL		
2019		2020	2019		2020	2019		2020
Maximum Amount	Actual Amount Issued	Maximum Amount	Maximum Amount	Actual Amount Issued	Maximum Amount	Maximum Amount	Actual Amount Issued	Maximum Amount
60,000	43,848	60,000	190,000	138,827	190,000	250,000	182,675	250,000

The Company also intends to issue, pursuant to NZX Listing Rule 4.6, up to 1,750,000 LTVR Instruments in aggregate, to selected senior executives, managers and other employees of the Company and its subsidiaries. Together with the maximum number of LTVR Instruments proposed to be issued to Mr Gradon, the Company therefore intends to issue no more than a maximum aggregate of

2,000,000 LTVR Instruments to employees, including Mr Gradon, following the Annual Shareholders' Meeting. This maximum aggregate number equates to the issue of LTVR Instruments to acquire shares representing approximately 0.3% of the total ordinary shares on issue. If all 2,000,000 LTVR Instruments were exercised for shares, then shareholders would be diluted by this percentage amount. In 2019, the actual number of LTVR Instruments issued was 1,073,433.

The LTVR Instruments are proposed to be issued to Mr Gradon under NZX Listing Rule 4.6, which does not require shareholder approval of the issue, given Mr Gradon's participation has been determined by criteria applying to employees generally under the LTVR Plans. However, the Company has determined it will seek shareholder approval for the issue, consistent with its prior practice. If shareholders do not approve the proposed issue of LTVR Instruments to Mr Gradon, the Board will investigate alternative long-term variable remuneration arrangements for Mr Gradon.

A summary of the key terms of the Performance Share Rights Plan and Option Plan is set out below.

Key Terms of the 2019 Performance Share Rights Plan

The key terms of the 2019 Performance Share Rights Plan are:

- No amount is payable by a participant for the grant of performance share rights.
- One share right gives the participant the potential to exercise that performance share right for one ordinary share in the Company at no cost.
- Whether (and how many) performance share rights become exercisable will depend on the Company's gross total shareholder return (**TSR**) performance compared to the performance of the Dow Jones US Select Medical Equipment Total Return Index (**DJSMDQT**) in New Zealand dollars over the same period (the **Index return**).
- The Company's TSR will be calculated and compared against the Index return at the end of a "performance period" ending on the fifth anniversary of the grant of the performance share rights (the **Grant Date**) (the **PSR Performance Period**) and also at the end of performance periods ending on the third and fourth anniversaries of the Grant Date (the **Early Performance Periods**).
- Performance share rights will only become exercisable if the Company's TSR over the relevant performance period exceeds the Index return over the same period, measured in absolute terms. If, at the end of the PSR Performance Period, the Company's TSR performance over that period exceeds the Index return over the same period by less than 10%, measured in absolute terms, then between 50% and 100% of the performance share rights held by the participant, as determined on a straight-line basis by the Board, become exercisable. If the Company's TSR over the PSR Performance Period or either of the Early Performance Periods exceeds the Index return over the same period by 10% or more, measured in absolute terms, then all of the performance share rights will become exercisable as at the end of the relevant performance period.
- At the end of each performance period, the Company will advise each participant whether any of their performance share rights are exercisable depending on the above methodology and, if they are, the number of performance share rights which are exercisable.
- Exercisable performance share rights may only be exercised during the 20 business day period from the date that the participant is notified that the performance share rights have become exercisable following the end of the relevant performance period (excluding, at the Board's discretion, any days when trading restrictions apply to a participant) (the **Exercise Period**). Any exercisable performance share rights may be exercised by the

participant at any time during the Exercise Period and will be deemed to be exercised at 4.59pm on the last day of the Exercise Period if they have not been exercised or surrendered by the participant before that time.

- If no performance share rights are exercisable because the Company's TSR over the performance period has not exceeded the Index return over the same period, the process is repeated at the end of the subsequent performance period.
- Unless otherwise determined by the Board, a participant's performance share rights will lapse on the first to occur of the following events:
  - the date of receipt by the Company of written notice from the participant surrendering their performance share rights;
  - 5.00pm on the last day of the Exercise Period in respect of the PSR Performance Period;
  - in the case of performance share rights held by a participant who ceases to be employed because of serious illness, accident, permanent disablement, redundancy or death, in each case after the third anniversary of the date of grant of the performance share rights, the last date of the Exercise Period in respect of the next performance period following the date on which the participant ceases to be employed; and
  - in the case of performance share rights held by a participant who ceases to be employed because of any other reason, the day on which that person ceases to be employed.
- Subject to any applicable Listing Rules, the Board is given discretion to adjust the terms of any performance share rights to achieve equivalent treatment as between the participants in the 2019 Performance Share Rights Plan and the shareholders in the event of a change in the capital structure of the Company.
- The Board is also given discretion to amend the terms of the 2019 Performance Share Rights Plan, or of performance share rights, in the case of a takeover or other change of control transaction in respect of the Company, so as to allow participants to participate in the benefit of that transaction.
- The Company may amend the terms of the 2019 Performance Share Rights Plan, subject to the consent of any adversely affected participant.
- Performance share rights are not transferable, other than to certain persons associated with an employee and approved by the Board, and do not participate in dividends or other distributions of the Company. Participants are not entitled to participate in new issues of the underlying securities (such as a rights issue or bonus issue) prior to exercising the performance share rights.
- Performance share rights will not be quoted on either the NZX Main Board or the ASX markets. So long as the Company remains listed on the NZX Main Board and/or the ASX markets, it is intended that the shares issued on exercise of performance share rights will be quoted on the NZX Main Board and/or the ASX markets (as applicable).
- Ordinary shares issued or transferred on the exercise of performance share rights will be fully paid and rank equally with all other ordinary shares in the Company except for dividends or other entitlements in respect of which the record date occurred prior to the date of issue or transfer of the relevant shares.

Key Terms of the 2019 Option Plan

The key terms of the 2019 Option Plan are:

- No amount is payable for the grant of options.
- One option gives the participant the right to subscribe at the exercise price for one ordinary share in the Company.
- An option may be exercised only if, on one of the dates referred to in the next paragraph, the company's volume weighted average share price on the NZX Main Board over the five business days before that date, exceeds the "Escalated Price" (described below) on that date.
- The share price will be weighed against the Escalated Price at the end of a "Performance

Period" ending on the fifth anniversary of the date of grant of an option ("**Grant Date**") and also at the end of periods ending on the third and fourth anniversaries of the Grant Date. If the share price exceeds the Escalated Price at any of those dates, options may be exercised during a period of 90 business days (excluding, at the Board's discretion, any days when trading restrictions apply to a participant) ("**Exercise Period**") after the Company advises the option holder that the options have become exercisable. If options have become exercisable, the holder of those options may exercise all or some of those options during an Exercise Period, but any options of that holder issued on the same Grant Date that are not exercised will be cancelled, and cannot be exercised in a later Exercise Period.

- Unless otherwise determined by the Board, options lapse on the holder ceasing to be employed by the Company or a subsidiary. If an option holder ceases to be employed by reason of serious illness, accident, permanent disablement, redundancy, or death after the third anniversary of the Grant Date, that holder's options remain in force until the end of the next Exercise Period after the date the holder ceases to be employed.
- The exercise price of options is the Company's volume weighted average share price on the NZX Main Board over the five business days before the Grant Date.
- The Escalated Price is determined as follows:
  - As at each anniversary of the Grant Date of an option, a new "base price" will be calculated by:
    - increasing the last calculated base price (which, as at the first anniversary of the Grant Date, will be the exercise price of the option) by a percentage amount determined by the Board to represent the Company's cost of capital; and
    - reducing the resulting figure by the amount of any dividend paid by the Company in the 12-month period immediately preceding that anniversary.
  - The Escalated Price on any particular anniversary of the Grant Date will be the base price determined as at that anniversary of the Grant Date, determined in accordance with the above.
- The Board is given discretion to adjust the terms of any options (including the exercise price) to achieve equivalent treatment as between the participants in the 2019 Option Plan and the shareholders in the event of a change in the capital structure of the Company.
- The Board is also given discretion to amend the terms of the 2019 Option Plan or any options in the case of a takeover or other change of control transaction in respect of the Company, so as to allow option holders to participate in the benefit of that transaction.
- The Company may amend the terms of the 2019 Option Plan, subject to the consent of any adversely affected participant.
- Options are not transferable, other than to certain persons associated with an employee, and do not participate in dividends or other distributions of the Company. Participants are not entitled to participate in new issues of the underlying securities (such as a rights issue or bonus issue) prior to exercising the options.
- Options will not be quoted on either the NZX Main Board or the ASX markets. So long as the Company remains listed on the NZX Main Board and/or the ASX markets, it is intended that the shares issued on exercise of options will be quoted on the NZX Main Board and/or the ASX markets (as applicable).
- Ordinary shares issued or transferred on the exercise of options will be fully paid and rank equally with all other ordinary shares in the Company except for dividends or other entitlements in respect of which the record date occurred prior to the date of issue or transfer of the relevant shares.
- The Cancellation Offer facility approved by shareholders at the 2004 Annual Shareholders' Meeting (which allows optionholders to cancel vested options in consideration for shares of a value

equal to the gain that the optionholders would receive if they exercised their options) applies to the options granted under the 2019 Option Plan.

EXPLANATORY NOTE 5 – LONG TERM VARIABLE REMUNERATION ISSUE FOR NORTH AMERICAN EMPLOYEES

Introduction

As noted in Explanatory Note 4 above, a performance share rights plan was first established by the Company in 2012 and updated plans, including one for North American-based employees, were introduced in 2019. Under relevant US law, the 2019 Performance Share Rights Plan Rules – North American Plan requires shareholder approval. Such shareholder approval is required within 12 months of the date of first issue of such share rights.

As also noted in Explanatory Note 4, a share option plan was first established by the Company in 2003 and updated plans, including one for North American-based employees, were introduced in 2019. Under relevant US law, the 2019 Share Option Plan Rules – North American Plan requires shareholder approval. Such shareholder approval is required within 12 months of the date of first issue of such options.

If shareholder approval of the 2019 Performance Share Rights Plan Rules – North American Plan and 2019 Share Option Plan Rules - North American Plan is not obtained, no share rights and options under those plans will be able to be issued to employees in North America, and share rights and options issued to such employees under those plans within the last 12 months must be rescinded. In such event, the Board will investigate alternative long-term incentives to form part of such employees' overall remuneration arrangements.

Key Terms

The key terms of the 2019 Performance Share Rights Plan Rules – North American Plan are materially the same as the key terms of the 2019 Performance Share Rights Plan referred to and described in Explanatory Note 4 on pages 16-18 with the exception of the application of the US Securities Act to any shares issued or transferred upon the exercise of a share right and the events upon which share rights lapse (to comply with Californian legislative requirements).

The key terms of the 2019 Share Option Plan Rules - North American Plan are materially the same as the key terms of the 2019 Option Plan referred to and described in Explanatory Note 4 on pages 19-23 with the exception of the application of the US Securities Act to any shares issued or transferred upon the exercise of an elliglible option and the events upon which options lapse (to comply with Californian legislative requirements).

The expected number of LTVR Instruments to be issued this year under the 2019 Performance Share Rights Plan Rules – North American Plan and the 2019 Share Option Plan Rules - North American Plan are included in the maximum aggregate number of LTVR Instruments referred to in Explanatory Note 4 above on page 16.

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