

# NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of GWA Group Limited ABN 15 055 964 380 will be held in The Grand Ballroom, Stamford Plaza, Cnr Edward and Margaret Streets Brisbane on Friday 28 October 2016 commencing at 10:30 am (Brisbane time).

## ORDINARY BUSINESS

### Accounts

To receive and consider the Company's Financial Statements for the financial year ended 30 June 2016 together with the statement and report by the directors and the report by the auditor in relation thereto.

### Re-election of Directors

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

1. That Mr Darryl McDonough, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, be re-elected as a director of the Company.
2. That Mr Peter Birtles, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, be re-elected as a director of the Company.

### Adoption of Remuneration Report

To consider the Remuneration Report as it appears in the Directors' Report for the year ended 30 June 2016, and if thought fit to pass, the following non-binding advisory resolution as an ordinary resolution in accordance with section 250R of the *Corporations Act*:

3. That the Remuneration Report for the year ended 30 June 2016 be adopted.

Note: The Company will disregard any votes cast on Resolution 3:

- by or on behalf of key management personnel (including directors) whose remuneration is included in the Remuneration Report (together **KMP**) and each closely related party of such person. However, the Company need not disregard a vote if it is cast by such a person or by such a closely related party as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with an express authority on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP; or
- by the key management personnel whose remuneration is not included in the Remuneration Report (together **KMP**) and each closely related party of a KMP as proxy. However, the Company need not disregard a vote if it is cast by such a person or by such a closely related party as proxy in accordance with the directions on the proxy form, or if it is cast by a person who is chairing the meeting as proxy in accordance with an express authority on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP.
- If you are a **KMP** or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the *Corporations Act*.

## SPECIAL BUSINESS

### Approval of grant of Performance Rights to Managing Director under the Long Term Incentive Plan

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

4. That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant of up to 265,000 Performance Rights (incorporating the right to acquire shares in the Company) to the Managing Director, Mr Tim Salt, on the terms set out in the accompanying Explanatory Memorandum and under the GWA Group Limited Long Term Incentive Plan (**LTIP**) which is constituted and administered in accordance with the Rules of the LTIP.

Note: The Company will disregard any votes cast on Resolution 4 by any director (except one who is ineligible to participate in any employee incentive scheme of the Company) and any associates of such a director (together **Excluded Persons**). The Company will also disregard any votes cast on Resolution 4 by any key management personnel (including directors) (together **KMP**) and each closely related party of a KMP as proxy. However, the Company need not disregard a vote if it is cast by an Excluded Person, a KMP or a closely related party of a KMP as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with an express authority on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP.

If you are a KMP or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the *Corporations Act*.

### Approval of grant of Performance Rights to Executive Director under the Long Term Incentive Plan

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

5. That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant of up to 55,000 Performance Rights (incorporating the right to acquire shares in the Company) to the Executive Director, Mr Richard Thornton, on the terms set out in the accompanying Explanatory Memorandum and under the GWA Group Limited Long Term Incentive Plan (**LTIP**) which is constituted and administered in accordance with the Rules of the LTIP.

Note: The Company will disregard any votes cast on Resolution 5 by any director (except one who is ineligible to participate in any employee incentive scheme of the Company) and any associates of such a director (together **Excluded Persons**). The Company will also disregard any votes cast on Resolution 5 by any key management personnel (including directors) (together **KMP**) and each closely related party of a KMP as proxy. However, the Company need not disregard a vote if it is cast by an Excluded Person, a KMP or a closely related party of a KMP as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with an express authority on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP.

If you are a KMP or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the *Corporations Act*.

## Explanatory Memorandum

Accompanying this notice is an Explanatory Memorandum that provides shareholders with background information and further details on the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and the effect of the resolutions, if passed. Information is also presented in accordance with the requirements of the *Corporations Act* and the Listing Rules. Terms defined in the Explanatory Memorandum and used in this notice bear the same meaning as in the Explanatory Memorandum.

## Voting Entitlements

The Board has determined that the entitlement of any person to vote at the meeting will be that person's entitlement as set out in the Company's Register of Members as at 7:00 pm (Brisbane time) on Wednesday 26 October 2016.

## Voting by Proxy

A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies. A proxy need not be a member of the Company. A shareholder may appoint an individual or body corporate to act as its proxy. If a body corporate is appointed as proxy, the body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the *Corporations Act* to exercise its powers as proxy at the meeting. If two proxies are appointed, the appointment may specify the proportion or number of votes that the proxy may exercise. Otherwise, each proxy may exercise half the votes.

A proxy form accompanies this notice of meeting.

To be valid, the proxy form (together with the original or a certified copy of any power of attorney under which the proxy form is signed) must be received:

- at the Company's share registry – Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001
- by Facsimile - (Within Australia) - 1800 783 447  
(Outside Australia) - +61 3 9473 2555

Alternatively, you can submit your proxy online at [www.investorvote.com.au](http://www.investorvote.com.au) quoting the 6 digit control number on the proxy form, or scan the QR code with your mobile device located on the front of the proxy form. Intermediary online subscribers (Custodians) can lodge a proxy online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

A proxy form must be received by 10:30 am (Brisbane time) on Wednesday 26 October 2016, being not less than 48 hours before the time for holding the meeting.

By Order of the Board

**Richard J Thornton**

**Executive Director and Company Secretary**

7 September 2016

## EXPLANATORY MEMORANDUM

In this Explanatory Memorandum, the following terms have the following meanings:

"Company" means GWA Group Limited ABN 15 055 964 380

"director" means a director of the Company

"Constitution" means the Constitution of the Company

"Corporations Act" means the Corporations Act 2001 (Cth)

"Listing Rules" means the Listing Rules of ASX Limited

## Accounts

As required by section 317 of the *Corporations Act*, the Financial Statements for the financial year ended 30 June 2016 together with the statement and report by the directors and the report by the auditor will be laid before the meeting. Members will be provided with the opportunity to ask questions about the reports. However, there will be no formal resolution put to the meeting about the reports.

## Ordinary Resolutions

Resolutions 1 to 5 (inclusive) are ordinary resolutions and will require the support of more than 50% of the votes cast at the meeting by members entitled to vote in order that they be passed.

## Resolutions 1 and 2 – Re-election of Directors

The Company's Constitution provides for the retirement of one-third of the directors from office at each Annual General Meeting. The directors who are to retire is determined according to the length of time each director has spent in office, with the director having spent the longest time in office retiring. By virtue of the Company's Constitution, Mr Darryl McDonough and Mr Peter Birtles are retiring by rotation at this Annual General Meeting and, being eligible, offer themselves for re-election as directors.

Profiles of Messrs McDonough and Birtles are outlined below:

DARRYL MCDONOUGH BBUS (ACTY), LLB (HONS),SJD, FCPA, FAICD

### Chairman and Non-Executive Director

- Expertise: Experienced public company director and corporate lawyer
- Special Responsibilities: Chairman of Board and member of the Nomination and Remuneration and Audit and Risk Committees

Mr McDonough was appointed Deputy Chairman and Non-Executive Director of GWA Group Limited in 2009 and Chairman effective 31 October 2013. He has over 30 years of corporate experience as a director and corporate lawyer. He has served as a director of a number of public companies in the past, including Bank of Queensland Limited and Super Retail Group Limited, is currently Chairman of unlisted QInsure Limited and is a Past-President of The Australian Institute of Company Directors, Queensland Division.

The Board considers Mr McDonough to be independent.

PETER BIRTLES BSC, ACA

### Non-Executive Director

- Expertise: Chartered Accountant, retail, financial and operational
- Special Responsibilities: Member of Audit and Risk Committee

Mr Birtles was appointed a Non-Executive Director of GWA Group Limited in November 2010. He is a Chartered Accountant and is the current Managing Director and Chief Executive Officer of Super Retail Group Limited (Super Retail). He was formerly the Chief Financial Officer of Super Retail. Prior to joining Super Retail, he held a variety of finance, operational and information technology roles with The Boots Company in the United Kingdom and Australia and worked for Coopers & Lybrand.

The Board considers Mr Birtles to be independent.

## Recommendation

***The Board (other than Messrs McDonough and Birtles who are seeking re-election) recommends that you support the resolutions re-electing Messrs McDonough and Birtles as directors of the Company.***

## Resolution 3 – Adoption of Remuneration Report

This resolution is a requirement of section 250R of the *Corporations Act*.

### Shareholders non-binding vote on the Remuneration Report

Section 250R of the *Corporations Act* requires that the Company's members vote on whether or not the Remuneration Report should be adopted. This vote is advisory only and the outcome will not be binding on the Board.

Prior to holding this vote, the Chairman will allow a reasonable opportunity for shareholders to ask questions or make comments about the Remuneration Report.

## What is included in the Remuneration Report?

The Remuneration Report includes information on how Company directors and certain executives are remunerated. More specifically, the report includes disclosure of all elements of the remuneration received by the Company's directors and other key management personnel.

The report also includes a discussion of the Board's policy for determining executive remuneration and the relationship between the Board's policy for determining remuneration and the Company's performance.

In respect of executives whose remuneration is linked to performance conditions, the report contains:

1. a summary of the performance conditions that attach to each element of their remuneration; and
2. an explanation of the relative proportions of those elements of their remuneration that are linked to performance conditions and those elements of their remuneration that are not.

In respect of executives who are employed under a contract, the report sets out the length of the contract, the notice period for terminating the contract and the amount of any termination payments payable under the contract.

## Recommendation

***The Remuneration Report forms part of the Directors' Report, adopted in accordance with a unanimous resolution of the directors. Each of the directors recommends the Remuneration Report to shareholders for adoption.***

### Resolution 4 - Approval of grant of Performance Rights to Managing Director under the Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) was approved by shareholders at the Annual General Meeting on 30 October 2008.

The Board is seeking shareholder approval by ordinary resolution to the grant of up to 265,000 Performance Rights under the LTIP to the Managing Director, Mr Tim Salt, in accordance with the requirements of Listing Rule 10.14.

A Performance Right is the right to receive one share in the Company, at no exercise price, if and when all applicable vesting conditions are satisfied.

Mr Salt is eligible to receive Performance Rights under the LTIP, potentially vesting after the performance period from 1 July 2016 to 30 June 2019. Performance Rights which do not vest will lapse and will not be re-tested.

The actual number of Performance Rights to be granted to Mr Salt (to a maximum of 265,000 Performance Rights) will be determined based on 60% of his fixed remuneration for FY17 divided by the volume weighted average price of shares in the Company calculated over the 20 trading days after the Company's Annual General Meeting on 28 October 2016.

For example, based on a closing share price of \$2.85 as at 26 August 2016, Mr Salt would be eligible to be granted 210,526 Performance Rights. He will receive the Performance Rights at no cost to him.

Performance Rights will vest depending upon the Company meeting or exceeding its performance hurdles during the three year performance period from 1 July 2016 to 30 June 2019.

The basis of the grant to Mr Salt is as follows:

- 50% of the Performance Rights are subject to a relative Total Shareholder Return (TSR) hurdle; and
- 50% of the Performance Rights are subject to an absolute Return on Funds Employed (ROFE) hurdle.

Both TSR and ROFE are key measures on which the Company's strategic plan is focused. Therefore ensuring LTI rewards are contingent on these measures is consistent with the Board approved strategy.

The performance hurdles and vesting proportions for each measure that will apply to the grant of Performance Rights during FY17 year are as follows:

TSR of GWA Group Limited relative to TSRs of Comparator Companies	Proportion of Performance Rights to Vest if TSR hurdle is met
Less than the 50th percentile	0%
50th percentile	12.5%
Between the 50th percentile and 75th percentile	Straight line vesting between 12.5% and 50%
75th percentile or higher	50% (i.e. 50% of total grant)

GWA Group Limited ROFE over three year performance period	Proportion of Performance Rights to Vest if ROFE hurdle is met
ROFE less than 15% per annum	0%
ROFE equal to 15% per annum	12.5%
ROFE between 15% and 18% per annum	Straight line vesting between 12.5% and 50%
ROFE equal to 18% or higher per annum	50% (i.e. 50% of total grant)

The group of comparator companies for the TSR hurdle includes 19 domestic ASX listed companies exposed to similar economic, market, and/or financial factors, including:

James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adelaide Brighton Ltd, DuluxGroup Ltd, Brickworks Ltd, Super Retail Group Ltd, CSR Ltd, ARB Corp Ltd, Burson Group Ltd, Breville Group Ltd, Asaleo Care Ltd, GUD Holdings Ltd, Cedar Woods Properties Ltd, Villa World Ltd, Decmil Group Ltd, Simonds Group Ltd, Hills Ltd, Fleetwood Corp Ltd

The Board has discretion to adjust the comparator group to take into account events including, but not limited to, takeovers, mergers, de-mergers and similar transactions that might occur over the performance period.

The ROFE hurdle is calculated as earnings before interest and tax (EBIT) divided by funds employed. Funds employed is calculated as net assets minus cash plus borrowings. The Board has discretion to make reasonable adjustments to the EBIT figure where it is unduly distorted by significant or abnormal events. The use of any discretion and the reasons for it will be disclosed.

Previously, 262,000 Performance Rights were granted to Mr Salt on 23 March 2016 valued at \$2.29 per right, relating to the three year performance period 1 July 2015 to 30 June 2018. As Mr Salt was not a director of the Company at the time of the grant, no shareholder approval was required. No amount was or is payable by Mr Salt for these Performance Rights or for shares issued on exercise of these Performance Rights.

Mr Salt and Mr Richard Thornton are currently the only directors eligible under the LTIP rules to be granted Performance Rights. No person who requires approval to participate in the LTIP under Listing Rule 10.14 will be granted Performance Rights unless and until a separate shareholder approval is obtained for the purposes of Listing Rule 10.14.

No loans will be granted to Mr Salt in relation to his participation in the LTIP.

In accordance with the rules of the LTIP, Mr Salt is prohibited from entering into hedging transactions or arrangements which reduce or limit the economic risk of holding unvested Performance Rights.

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Further, Mr Salt will be prohibited from selling or disposing of any shares issued on vesting of the Performance Rights until the fifteenth anniversary of the grant date, and the shares will be subject to a holding lock upon issue. There are limited circumstances where the LTIP permits the sale or disposal of shares during the restriction period including cessation of employment with the Company or where approval is granted by the Board in its discretion.

Details of any Performance Rights granted under the LTIP (and shares issued upon their exercise) will be published in the Company's Annual Report relating to the period in which they have been granted, together with a note that approval of the grant was obtained under Listing Rule 10.14.

Grant of Performance Rights to Mr Salt will be made no later than 12 months after the date of this meeting. Any issue of shares to Mr Salt under this approval will be made no later than 3 years after the date of this meeting.

### **Recommendation**

***The Board (other than Messrs Salt and Thornton who are not entitled to vote) recommends that you support the resolution approving the grant of up to 265,000 Performance Rights to the Managing Director, Mr Tim Salt, under the terms of the Long Term Incentive Plan. None of the directors (other than Mr Salt) has an interest in the outcome of Resolution 4.***

### **Resolution 5 - Approval of grant of Performance Rights to Executive Director under the Long Term Incentive Plan**

The Board is seeking shareholder approval by ordinary resolution to the grant of up to 55,000 Performance Rights under the LTIP to the Executive Director, Mr Richard Thornton, in accordance with the requirements of Listing Rule 10.14.

Mr Thornton is eligible to receive Performance Rights under the LTIP, potentially vesting after the performance period from 1 July 2016 to 30 June 2019. Performance Rights which do not vest will lapse and will not be re-tested.

The actual number of Performance Rights to be granted to Mr Thornton (to a maximum of 55,000 Performance Rights) will be determined based on 30% of his fixed remuneration for FY17 divided by the volume weighted average price of shares in the Company calculated over the 20 trading days after the Company's Annual General Meeting on 28 October 2016.

For example, based on a closing share price of \$2.85 as at 26 August 2016, Mr Thornton would be eligible to be granted 43,105 Performance Rights. He will receive the Performance Rights at no cost to him.

Performance Rights will vest depending upon the Company meeting or exceeding its performance hurdles during the specified three year performance period of 1 July 2016 to 30 June 2019.

The basis of the grant to Mr Thornton and the performance hurdles and vesting proportions for each measure are the same as outlined above for the grant of Performance Rights to Mr Salt.

Previously, 65,000 Performance Rights were granted to Mr Thornton on 23 March 2016 valued at \$1.89 per right, relating to the three year performance period 1 July 2015 to 30 June 2018. The grant was approved by shareholders at the Annual General Meeting on 30 October 2015. On the same date, 262,000 Performance Rights were granted to Mr Tim Salt valued at \$2.29 per right. No amount was or is payable by Mr Thornton or Mr Salt for these Performance Rights or for shares issued on exercise of these Performance Rights.

Mr Thornton and Mr Salt are the only directors eligible under the LTIP rules to be granted Performance Rights. No person who requires approval to participate in the LTIP under Listing Rule 10.14 will be granted Performance Rights unless and until a separate shareholder approval is obtained for the purposes of Listing Rule 10.14.

No loans will be granted to Mr Thornton in relation to his participation in the LTIP. Mr Thornton will be subject to the same restrictions on entering into hedging transactions or arrangements, and restrictions on sales or disposals of shares, as are described above in relation to Mr Salt.

Details of any Performance Rights granted under the LTIP (and shares issued upon their exercise) will be published in the Company's Annual Report relating to the period in which they have been granted, together with a note that approval of the grant was obtained under Listing Rule 10.14.

Grant of Performance Rights to Mr Thornton will be made no later than 12 months after the date of this meeting. Any issue of shares to Mr Thornton under this approval will be made no later than 3 years after the date of this meeting.

### **Recommendation**

***The Board (other than Messrs Thornton and Salt who are not entitled to vote) recommends that you support the resolution approving the grant of up to 55,000 Performance Rights to the Executive Director, Mr Richard Thornton, under the terms of the Long Term Incentive Plan. None of the directors (other than Mr Thornton) has an interest in the outcome of Resolution 5.***