

# NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of GWA Group Limited ABN 15 055 964 380 will be held on Level 6 at the Hilton Hotel, 190 Elizabeth Street, Brisbane QLD on Friday 25 October 2019 commencing at 10:30am (AEST).

## ORDINARY BUSINESS

### Accounts

To receive and consider the Company's Financial Statements for the financial year ended 30 June 2019 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, pass the following resolutions as ordinary resolutions:

1. That Mr John Mulcahy, 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 Stephen Goddard, 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.

### Election of Ms Alison Barrass as Director

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

3. That Ms Alison Barrass, who retires as a director of the Company in accordance with clause 10.11 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 2019 and, if thought fit, pass the following non-binding advisory resolution as an ordinary resolution in accordance with section 250R of the *Corporations Act*:

4. That the Remuneration Report for the year ended 30 June 2019 be adopted.

Note: The Company will disregard any votes cast on Resolution 4:

- 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
- as proxy by any of the key management personnel whose remuneration is not included in the Remuneration Report (together **KMP**) or any closely related party of such a KMP. 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, 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 355,000 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 in favour of Resolution 5 by or on behalf of any director (except one who is ineligible to participate in any employee incentive scheme of the Company) or any associate of such a director (together **Excluded Persons**). The Company will also disregard any votes cast on Resolution 5 as proxy by any of the key management personnel (including directors) (together **KMP**) or any closely related party of such a KMP. 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, pass the following resolution as an ordinary resolution:

6. 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 45,000 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 in favour of Resolution 6 by or on behalf of any director (except one who is ineligible to participate in any employee incentive scheme of the Company) or any associate of such a director (together **Excluded Persons**). The Company will also disregard any votes cast on Resolution 6 as proxy by any of the key management personnel (including directors) (together **KMP**) or any closely related party of such a KMP. 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*.

## Financial assistance

To consider, and if thought fit, to pass the following resolution as a special resolution:

7. That, in accordance with sections 260A and 260B(2) of the *Corporations Act*, and for all other purposes, approval is given for:
  - (a) the provision of the Proposed Financial Assistance (as defined in the Explanatory Memorandum accompanying this Notice of Meeting) by Methven Australia Pty Ltd (ACN 104 813 390) (**Methven Australia**); and
  - (b) the execution and performance by Methven Australia of all documents required to give effect to or implement the Proposed Financial Assistance, as described in the Explanatory Memorandum.

## 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 (AEST) on Wednesday 23 October 2019.

## 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 (AEST) on Wednesday 23 October 2019, 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

9 September 2019

## 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); and
- “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 2019 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 6 (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.

## Special Resolution

Resolution 7 is a special resolution and will require the support of at least 75% of the votes cast at the meeting by members entitled to vote in order that it 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 John Mulcahy and Mr Stephen Goddard are retiring by rotation at this Annual General Meeting and, being eligible, offer themselves for re-election as directors.

Profiles of Messrs Mulcahy and Goddard are outlined below:

### JOHN MULCAHY PHD (CIVIL ENGINEERING), FIE AUST

#### Deputy Chairman and Non-Executive Director

- » Expertise: Engineer, banker and experienced public company director
- » Special Responsibilities: Deputy Chairman of Board and Chairman of Nomination and Remuneration Committee

Mr Mulcahy was appointed a Non-Executive Director of GWA Group Limited in 2010 and Deputy Chairman effective 1 November 2013. He is a Fellow of the Institute of Engineers and is Chairman of Mirvac Group Limited and a Non-Executive Director of ALS Limited. He is the former Managing Director and Chief Executive Officer of Suncorp Group Limited (Suncorp). Prior to joining Suncorp, he held a number of senior executive roles at the Commonwealth Bank and Lend Lease Corporation.

During the past 3 years, listed companies of which Mr Mulcahy has served as a director are Mirvac Group Limited (since 2009), ALS Limited (since 2012) and Coffey International Limited (2009 to 2016).

The Board considers Mr Mulcahy to be independent.

## **STEPHEN GODDARD BSC (HONS), MSC**

### **Non-Executive Director**

» Special Responsibilities: Chairman of Audit and Risk Committee

Mr Goddard was appointed a Non-Executive Director of GWA Group Limited on 28 October 2016. He has more than 30 years' retail experience having held senior executive positions with some of Australia's major retailers. His executive experience includes Finance Director and Operations Director for David Jones, founding Managing Director of Officeworks, and various senior management roles with Myer. He is a Non-Executive Director of JB Hi-Fi Limited, Accent Group Limited and Nick Scali Limited. Stephen is a former Non-Executive Director and Chairman of the Audit and Risk Committees of Pacific Brands Limited and Surfstitch Group Limited.

During the past 3 years, listed companies of which Mr Goddard has served as a director are JB Hi-Fi Limited (since 2016), Pacific Brands Limited (2013 to 2016), Surfstitch Group Limited (2014 to 2016), Accent Group Limited (since 2017) and Nick Scali Limited (since 2018).

The Board considers Mr Goddard to be independent.

### **Recommendation**

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

## **Resolution 3 – Election of Ms Alison Barras as Director**

In accordance with clause 10.11 of the Constitution, the Board appointed Ms Barras as a Non-Executive Director on 24 May 2019. Under the Constitution, Ms Barras holds office until the next Annual General Meeting, when she must retire and is then eligible for re-election at the Annual General Meeting.

Ms Barras offers herself for re-election as a director.

The profile of Ms Barras is outlined below:

## **ALISON BARRAS BSC, DIPMA**

### **Non-Executive Director**

» Expertise: Extensive experience in FMCG Sector, governance leadership and innovation

Ms Barras was appointed a Non-Executive Director of GWA Group Limited on 24 May 2019. She is a highly experienced executive across private and publicly-listed organisations and was most recently the Chair of Methven Ltd, a leading New Zealand-based business which was acquired by a subsidiary of the Company in April 2019. Her career has included significant marketing and business transformation roles with major Fast-Moving Consumer Goods (FMCG) companies, including CEO roles with both Goodman Fielder New Zealand and Griffin Foods. She is currently a Non-Executive Director of Spark NZ, Heilala Vanilla, Rockit International, Lewis Road Creamery, and Chair of Tom and Luke Limited.

During the past 3 years, listed companies of which Ms Barras has served as a director are Spark NZ Limited (since 2016) and Methven Limited (2012 to 2019).

The Company has conducted appropriate checks as to Ms Barras' background and experience and no information of concern has been revealed.

The Board considers Ms Barras to be independent.

### **Recommendation**

***The Board (other than Ms Barras who is seeking re-election) recommends that you support the resolution re-electing Ms Barras as a director of the Company.***

## **Resolution 4 – 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 5 – 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. Following an independent external review of the LTIP terms, some changes are proposed to apply to new grants of Performance Rights under the LTIP:

- » to strengthen the clawback provisions so that the Board may reduce or 'claw back' benefits under the LTIP (including Performance Rights, shares, proceeds of shares or cash amounts) if the Board considers that is justified by the performance of the Company, any member of the Company, any business, area or team, or the conduct, capability or performance of the participant;
- » to provide flexibility for participants in the timing of exercise of vested Performance Rights, by providing that a Performance Right is not deemed to be exercised automatically upon vesting, but rather may be exercised by the participant at any time from vesting until expiry of the Performance Right 7 years after the date of grant;
- » to provide the Company with the flexibility, at the discretion of the Board, to settle vested and exercised Performance Rights in cash as an alternative to shares;

- » to provide the Board with broader discretion to determine whether some or all of the Performance Rights lapse, vest, are exercised or settled in shares or cash in the event that the Company is the subject of a successful takeover bid or acquisition by scheme of arrangement. The treatment for unvested rights will be determined by the Board in its absolute discretion. Vested rights will be automatically exercised unless the Board determines otherwise; and
- » the Board has increased the LTIP opportunity for the Managing Director to 100% of fixed remuneration for the FY20 grant (previously 60% of fixed remuneration for prior year grants). This is in line with the market benchmarking data provided by an independent adviser during FY19 which indicated that peer company CEO's typically have a higher variable component under LTIP's. There are no changes to the LTIP opportunity for the other executives for FY20.

The Board is seeking shareholder approval by ordinary resolution to the grant of up to 355,000 Performance Rights under the LTIP to the Managing Director, Mr Tim Salt, in accordance with the requirements of Listing Rule 10.14 and for all other purposes.

Listing Rule 10.14 provides that the Company must not issue securities to a Director under an employee incentive scheme without shareholder approval. Pursuant to Listing Rules 10.11 and 10.12 (Exception 7), further shareholder approval is not required for the subsequent exercise and conversion of the Performance Rights into shares in the Company. If shareholder approval is given under Listing Rule 10.14, shareholder approval is also not required for the grant of those Performance Rights under Listing Rule 7.1 and the Performance Rights granted will not count towards the 15% limit on the number of equity securities that the Company may issue or agree to issue in any 12 month period without shareholder approval or an exception under Listing Rule 7.1.

A Performance Right is the right to receive one share in the Company, at no exercise price, subject to the satisfaction of all applicable vesting conditions.

Mr Salt is eligible to receive Performance Rights under the LTIP, potentially vesting and becoming exercisable after the performance period from 1 July 2019 to 30 June 2022. Performance Rights which do not vest will lapse and will not be re-tested. Once vested, Performance Rights may be exercised before their expiry 7 years after the date of grant.

The actual number of Performance Rights to be granted to Mr Salt (to a maximum of 355,000 Performance Rights) will be determined based on 100% of his fixed remuneration for FY20 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 25 October 2019.

For example, based on a closing share price of \$3.41 as at 8 August 2019, Mr Salt would be eligible to be granted 293,255 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 2019 to 30 June 2022.

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. 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 FY20 year are as follows:

<b>TSR of GWA Group Limited relative to TSRs of Comparator Companies</b>	<b>Proportion of Performance Rights to Vest if TSR hurdle is met</b>
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)

<b>GWA Group Limited ROFE over three year performance period</b>	<b>Proportion of Performance Rights to Vest if ROFE hurdle is met</b>
ROFE less than 16% per annum	0%
ROFE equal to 16% per annum	12.5%
ROFE between 16% and 19% per annum	Straight line vesting between 12.5% and 50%
ROFE equal to 19% or higher per annum	50% (i.e. 50% of total grant)

The group of comparator companies for the TSR hurdle includes a bespoke group of 20 domestic ASX listed companies exposed to similar economic, market, and/or financial factors.

GWA and the comparator companies operate in a number of different sectors (e.g. Industrial, Material, Consumer Discretionary) and the choosing of one sector or industry will not provide a comprehensive list of related companies. To ensure an adequate number of comparator companies is included for the TSR hurdle, the Board has selected companies outside the building supplies and construction materials industry, but subject to similar external influences.

The group of comparator companies that will apply to the grant of Performance Rights during FY20 are as follows:

*James Hardie Industries PLC, Fletcher Building Ltd, Boral Ltd, Adelaide Brighton Ltd, Brickworks Ltd, Super Retail Group Ltd, CSR Ltd, ARB Corp Ltd, Bapcor Ltd, Breville Group Ltd, Asaleo Care Ltd, GUD Holdings Ltd, Cedar Woods Properties Ltd, Decmil Group Ltd, Simonds Group Ltd, Hills Ltd, Fleetwood Corp Ltd, Reece Ltd, Accent Group Ltd, Pact Group Holdings 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 Board reviews the comparator group on an annual basis to ensure they remain relevant and to ensure potential new peers are considered for inclusion.

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, and in order to ensure that it reflects underlying trading performance. The use of any discretion and the reasons for it will be disclosed.

Since the last approval under Listing Rule 10.14, 220,000 Performance Rights were granted to Mr Salt on 18 February 2019 valued at \$2.73 per Performance Right, relating to the three year performance period 1 July 2018 to 30 June 2021. That grant was approved by shareholders at the Annual General Meeting on 26 October 2018. On the same date as the grant of Performance Rights to Mr Salt, 45,000 Performance Rights were granted to Mr Richard Thornton valued at \$2.73 per Performance Right.

No amount was or is payable by Mr Salt or Mr Thornton 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 LTIP rules, Mr Salt is prohibited from entering into hedging transactions or arrangements which reduce or limit the economic risk of holding unvested Performance Rights.

Mr Salt will also be subject to the expanded clawback provisions under the amended LTIP rules. Any shares allocated on exercise of the Performance Rights will not be subject to any further trading restrictions, subject to complying with the Company's Share Trading Policy.

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.

The grant of Performance Rights to Mr Salt will be made no later than 12 months 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 355,000 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 5.***

#### **Resolution 6 – 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 45,000 Performance Rights under the LTIP to the Executive Director, Mr Richard Thornton, in accordance with the requirements of Listing Rule 10.14 and for all other purposes.

Proposed changes to the LTIP are explained above in relation to Mr Salt, along with the shareholder approval requirement under Listing Rule 10.14.

Mr Thornton is eligible to receive Performance Rights under the LTIP, potentially vesting after the performance period from 1 July 2019 to 30 June 2022. 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 45,000 Performance Rights) will be determined based on 30% of his fixed remuneration for FY20 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 25 October 2019.

For example, based on a closing share price of \$3.41 as at 8 August 2019, Mr Thornton would be eligible to be granted 36,030 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 2019 to 30 June 2022.

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.

Since the last approval under Listing Rule 10.14, 45,000 Performance Rights were granted to Mr Thornton on 18 February 2019 valued at \$2.73 per Performance Right, relating to the three year performance period 1 July 2018 to 30 June 2021. The grant was approved by shareholders at the Annual General Meeting on 26 October 2018. On the same date as the grant of Performance Rights to Mr Thornton, 220,000 Performance Rights were granted to Mr Tim Salt valued at \$2.73 per Performance 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 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 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 the same expanded clawback provisions and Share Trading Policy, 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.

The grant of Performance Rights to Mr Thornton will be made no later than 12 months 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 45,000 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 6.***

#### **Resolution 7 – Approval of financial assistance**

This resolution is required to be passed to comply with provisions of the *Corporations Act* because of and following the acquisition of Methven.

#### **Background**

On 10 April 2019, a wholly-owned subsidiary of the Company, GWAIL (NZ) Limited (**GWAIL NZ**), completed the acquisition (the **Methven Acquisition**) of Methven Limited (New Zealand company number 1111463) and its subsidiaries (the **Methven Group Subsidiaries**). The Methven Group Subsidiaries included Methven Australia Pty Ltd ACN 104 813 390 (**Methven Australia**).

After completion of the Methven Acquisition, Methven Australia became an indirect wholly-owned subsidiary of the Company.

## Financing of Methven Acquisition

The Methven Acquisition was fully funded using proceeds of loans that were made available to GWA Finance Pty Limited ACN 055 619 586 (the **Borrower**) as borrower under its existing facility agreement with (amongst others) Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia and The Hongkong and Shanghai Banking Corporation Ltd, Sydney Branch (the **Financiers**) (the **Facility Agreement**).

The Facility Agreement is unsecured. The Facility Agreement requires the Company to ensure that at all times:

- » the 'Guarantors' collectively hold not less than 85% of the total assets of the Company and its subsidiaries (together the **Group**);
- » the EBITDA of the 'Guarantors' is not less than 85% of EBITDA of the Group; and
- » each member of the Group that holds 5% or more of total assets of the Group or contributed 5% or more of EBITDA of the Group during the previous 12 months is a Guarantor, (the **Guarantor Test**).

The Company and many of its existing subsidiaries are already 'Guarantors' under the Facility Agreement.

The Guarantor Test requires that Methven Australia becomes a Guarantor under the Facility Agreement as well.

## Financial assistance

As the Methven Acquisition was funded using the proceeds of loans under the Facility Agreement, the proposed accession by Methven Australia as a Guarantor to the Facility Agreement, and the performance by Methven Australia of its rights and obligations under the Facility Agreement, will constitute 'financial assistance' (within the meaning of Part 2J.3 of the *Corporations Act*) by Methven Australia to GWAIL NZ for the Methven Acquisition (the **Proposed Initial Financial Assistance**).

If the facilities under the Facility Agreement are subsequently refinanced or the Facility Agreement is subsequently amended, restated, replaced or renewed (each a **Refinanced Facility Agreement**) and Methven Australia is required to be a guarantor or security provider (howsoever described) under or in connection with those Refinanced Facility Agreements, those guarantees or security may also constitute 'financial assistance' by Methven Australia in relation to the Methven Acquisition (the **Proposed Refinancing Financial Assistance** which, together with the Proposed Initial Financial Assistance, is the **Proposed Financial Assistance**).

Section 260A of the *Corporations Act* prohibits a company from financially assisting any person to acquire shares in that company (or a holding company of that company), unless the assistance:

- » does not materially prejudice the interests of the company or its shareholders, or the company's ability to pay its creditors;
- » is approved by shareholders under section 260B of the *Corporations Act*; or
- » falls within a limited number of exceptions under section 260C of the *Corporations Act* (none of which apply to the Methven Acquisition).

## Shareholder approval by special resolution

For financial assistance to be approved by shareholders under section 260B of the *Corporations Act*, section 260B(2) requires approval by a special resolution passed at a general meeting of any listed domestic corporation of which the company giving the financial assistance is a subsidiary.

As Methven Australia is a subsidiary of the Company (being a listed domestic corporation), the purpose of Resolution 7 is to obtain shareholder approval to the Proposed Financial Assistance by a special resolution passed at a general meeting of the Company.

## Effect of the Proposed Financial Assistance

The Proposed Initial Financial Assistance will involve Methven Australia:

- » becoming liable (with the Company and the other Guarantors) as a 'Guarantor' and 'Obligor' under the Facility Agreement for amounts owing under the Facility Agreement and other 'Guaranteed Documents' defined in the Facility Agreement;
- » giving customary representations, warranties and undertakings to the Financiers;
- » being subject to certain events of default; and
- » potentially being required to make available (directly or indirectly) its cashflows or other resources in order to enable the Company and other Guarantors to comply with their payment and other obligations in relation to the Facility Agreement and other Guaranteed Documents.

Similar issues may arise in connection with the Proposed Refinancing Financial Assistance if Methven Australia is required to be liable as a 'Guarantor', 'Obligor' or "security provider" (howsoever described) under and in connection with any Refinanced Facility Agreement.

## Reasons for giving financial assistance

The main reasons for the giving of the Proposed Financial Assistance are:

- » to enable the Company and existing Guarantors to comply with the Facility Agreement and the Refinanced Facility Agreement. If the obligation under the Facility Agreement to add Methven Australia as a Guarantor is not complied with, this would lead to a period of negotiation between the Company and the Financiers, one potential outcome of which could be the Financiers cancelling the Borrower's ability to draw down further funds and require existing funding under the Facility Agreement to be immediately repaid. In addition, the Company and Borrower may have to negotiate alternative financing and, if that were necessary, would expect to incur additional costs and fees;
- » to enable the Company to meet the Guarantor Test to ensure the continued availability of the Facility Agreement in order to provide its subsidiaries (including the Borrower and Methven Australia) with finance on better terms than would be available to each subsidiary on a standalone basis. In this regard, the Company has (through the Borrower exercising its rights under the accordion facility) negotiated with the Financiers to make a further aggregate amount of up to \$25 million available under the Facility Agreement; and
- » to provide the Group with greater flexibility to deliver upon its broader financing strategy.

## Recommendation

**The Board unanimously recommends that you vote in favour of Resolution 7.**