

# ASX RELEASE

23 October 2015

ASX Market Announcements  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

**Watpac Limited 2015 Annual General Meeting**

In accordance with Listing Rule 3.17, please find attached a copy of the documents sent to shareholders today in relation to the Watpac Limited 2015 Annual General Meeting.

Yours sincerely,  
WATPAC LIMITED



Mark Baker  
COMPANY SECRETARY

WATPAC LIMITED  
ABN 98 010 562 562

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Newstead QLD 4006  
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**Watpac Limited**

ABN 98 010 562 562

# **Notice of Annual General Meeting**

Tuesday 24 November 2015

11:00 am (Brisbane time)

Watpac Limited Head Office

Level 1, 12 Commercial Road

Newstead, Qld, Australia

# Part 1: Notice of Annual General Meeting

The Annual General Meeting of Members of Watpac Limited will be held at Watpac Limited Head Office, Level 1, 12 Commercial Road, Newstead, Queensland, Australia on Tuesday 24 November 2015 commencing at 11am (Brisbane time).

The Annual Report is available on our website for viewing if you have elected not to receive a hard copy. Our website address is [www.watpac.com.au](http://www.watpac.com.au).

## Ordinary business

### Item 1 – Annual Financial Report, Directors’ Report and Auditor’s Report

To receive and consider the annual Financial Report of the Company, together with the Directors’ Report and Auditor’s Report, for the year ended 30 June 2015.

### Item 2 – Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **advisory only resolution**:

*That the Remuneration Report for the year ended 30 June 2015 be adopted.*

**Note:** The vote on this resolution is advisory only and does not bind the Directors or the Company. However, the vote may have legal consequences for the Company which are described in the Explanatory Statement.

### Item 3 – Election of Directors

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

- (a) *That Richard McGruther, a Director retiring by rotation in accordance with rule 28.6 (a) of the Constitution and being eligible, be re-elected as a Director.*
- (b) *That Bronwyn Morris, who was appointed by the Board as a Director of the Company on 3 February 2015, be elected as a Director in accordance with rule 28.3 of the Constitution.*
- (c) *That Linda Evans, who was appointed by the Board as a Director of the Company on 25 August 2015, be elected as a Director in accordance with rule 28.3 of the Constitution.*

**Item 4 – Acquisition of 2015 STI Performance Rights and 2015 LTI Performance Rights by Mr Monroe**

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

*That for the purposes of Listing Rule 10.14 and for all other purposes, the acquisition by Mr Monroe of the 2015 STI Performance Rights and the 2015 LTI Performance Rights, and of Shares in respect of those Performance Rights, in accordance with the terms of the Performance Rights Plan and on the basis described in the Explanatory Statement, be approved.*

**Item 5 – Acquisition of 2016 STI Performance Rights by Mr Monroe**

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

*That for the purposes of Listing Rule 10.14 and for all other purposes, the acquisition by Mr Monroe of the 2016 STI Performance Rights, and of Shares in respect of those Performance Rights, in accordance with the terms of the Performance Rights Plan and on the basis described in the Explanatory Statement, be approved.*

## Voting exclusion statement

In accordance with the Listing Rules and the Corporations Act, the Company will disregard any votes cast on each resolution (as applicable) by certain persons identified as being excluded from voting on that resolution.

The Company will disregard any votes cast on:

**Item 2 – Remuneration Report**, by any member of the Key Management Personnel of the Group or any Closely Related Party of such a member of the Key Management Personnel of the Group; and

**Item 4 – Acquisition of 2015 STI Performance Rights and 2015 LTI Performance Rights and Item 5 – Acquisition of 2016 STI Performance Rights:**

- by Mr Monro and any other Directors who are eligible to participate in the Performance Rights Plan and any associate of Mr Monro or such other Directors; and
- if the vote is cast under an appointment as a proxy (subject to the exceptions below), by any member of the Key Management Personnel of the Group and any Closely Related Party of such a member the Key Management Personnel of the Group.

However, the Company may not disregard a vote cast if it is cast:

- By a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- By the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

**Please refer to the ‘Important information concerning proxy votes on Item 2, 4 and 5’ section for important information about the appointment of proxies for those items.**

## Explanatory statement

The accompanying Explanatory Statement forms part of this Notice and should be read in conjunction with it.

## Proxies

Please note that:

- (a) a Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Member;
- (c) a Member may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Member’s proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Member’s proxy; and

- (e) Members entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Member appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, a certificate of the appointment of corporate representative should be completed and lodged in the manner specified below.

If proxy holders vote on a poll, they must vote all directed proxies as directed. Any directed proxies which are not voted on a poll will automatically default to the chairman of the Meeting, who must vote the proxies as directed.

An appointment of a proxy must be received by 11:00 am (Brisbane time) on Sunday, 22 November 2015.

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed (or a certified copy) must also be received by that time.

You can appoint a proxy in five ways:

**Online** by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and entering your Securityholder Reference Number (SRN) or your Holder Identification Number (HIN) and your postcode, which is shown on your proxy form enclosed with this Notice. Intermediary Online subscribers (custodians) may lodge proxy instructions at [www.intermediaryonline.com](http://www.intermediaryonline.com);

**Mobile** to use the smartphone voting service, scan the QR code which appears at the top of the proxy form and follow the instructions provided. To scan the code you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile voting site;

**By mail** (using the return-addressed envelope, reply-paid for mailing in Australia) to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001;

**By hand** to Computershare Investor Services Pty Limited, 117 Victoria Street, West End, Brisbane, during business hours;

**By facsimile** to Computershare Investor Services Pty Limited on facsimile number 1800 783 447 (or 61 3 9473 2555 if outside Australia).

### **Important information concerning proxy votes on Item 2, 4 and 5**

The Corporations Act places certain restrictions on the ability of Key Management Personnel (including the chairman of the Meeting) and their Closely Related Parties to vote on Items 2, 4 and 5 (**Remuneration Resolutions**), including where they are voting as proxy for another Member.

To ensure that your votes are counted, you are encouraged to direct your proxy as to how to vote on the Remuneration Resolutions by indicating your preference on the proxy form by completing any of the 'For', 'Against' or 'Abstain' boxes on the proxy form.

The chairman of the Meeting intends to vote all undirected proxies on the Remuneration Resolutions in favour of the resolutions.

If you appoint the chairman of the Meeting as your proxy, but you do not direct the chairman how to vote in respect of a Remuneration Resolution, you will be directing the chairman to vote in favour of the resolution and the chairman will vote in this way, even though the resolution is connected with the remuneration of Key Management Personnel.

## Corporate representatives

Any:

- (a) corporate Member; or
- (b) corporate proxy appointed by a Member,

which has appointed an individual to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry, Computershare Investor Services Pty Limited, in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

An Appointment of Corporate Representative form is available by visiting the website of the Company's share registry, Computershare Investor Services Pty Limited, at [www.computershare.com.au](http://www.computershare.com.au) or by contacting them on 1300 552 270 (within Australia) or +61 3 9415 4000 (outside Australia).

## Questions about how to cast your votes

If you have any queries on how to cast your votes, please call the Company's share registry Computershare Investor Services Pty Limited, on 1300 552 270 (within Australia) or +61 3 9415 4000 (outside Australia).

## Voting entitlements

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Members as at 7.00pm (Sydney time) on 22 November 2015. Accordingly, transactions registered after that time will be disregarded in determining Members' entitlements to attend and vote at the Annual General Meeting.

*By order of the Board of Directors*

A handwritten signature in black ink, appearing to be 'MB', followed by a long horizontal line.

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Mark Baker  
Company Secretary  
20 October 2015

## Part 2: Explanatory Statement

### Introduction

This Explanatory Statement has been prepared for the information of Members in connection with the resolutions to be considered by them at the Annual General Meeting to be held at the Watpac Head Office, Level 1, 12 Commercial Road, Newstead, Queensland, Australia on Tuesday 24 November 2015 commencing at 11:00am (Brisbane time).

The purpose of this Explanatory Statement is to provide Members with the information known to the Company that the Board considers material to their decision on whether to approve the resolutions in the accompanying Notice. This document is important and should be read in conjunction with the Notice.

Capitalised terms in this Explanatory Statement are defined in the Glossary in Part 3.

### Ordinary business

#### Item 1 – Annual Financial Report and Directors’ and Auditor’s Reports

The first item of business of the Annual General Meeting is to receive and consider the Financial Report, together with the Directors’ and Auditor’s Reports, for the year ended 30 June 2015.

No resolution is required for this item of business. However, a reasonable opportunity will be provided for discussion of the reports at the Meeting.

As a Member, you may also submit a written question to the auditor prior to the Annual General Meeting provided that the question relates to:

- (a) the content of the Auditor’s Report; or
- (b) the conduct of the audit in relation to the Financial Report.

All written questions must be received by the Company no later than five business days prior to the meeting.

All questions must be sent to the Company and may not be sent direct to the auditor. The Company will then forward all questions to the auditor.

The auditor will be attending the Annual General Meeting and will answer written questions submitted prior to the meeting.

The auditor will also be available to answer questions from Members relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Auditor’s Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

#### Item 2 – Remuneration Report

The Remuneration Report forms part of the Directors’ Report included in the Annual Report, which may be viewed on the Company’s website, [www.watpac.com.au](http://www.watpac.com.au).

The Remuneration Report is set out on pages 33 – 56 of the Annual Report. You are encouraged to read the Remuneration Report in its entirety.



Item 2 proposes the adoption of the Remuneration Report. The resolution is advisory only and does not bind the Company or the Board.

The Corporations Act provides that if at least 25% of votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings, Members will be required to vote at the second of those annual general meetings on a resolution that another meeting be held within 90 days at which all of the Company's Directors who were in office at the date of the approval of the applicable Directors' Report must stand for re-election.

The resolution to approve the remuneration report was passed by a majority of votes at the 2014 annual general meeting with less than 25% of the votes cast against the resolution.

You are encouraged to vote on Item 2 to avoid the circumstance where a small minority of Members may cause the Board to be spilled (if insufficient votes are cast in favour of the remuneration report in two consecutive years).

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

Key information included in the Remuneration Report is included below.

#### ***Executive Key Management Personnel (Senior Executive) remuneration***

The Group's aim is to reward Senior Executives, which includes the Managing Director, with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice.

Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Company and individuals, and the broader economic environment.

Remuneration reviews are conducted in consultation with independent remuneration consultants, where appropriate. Advice provided by remuneration advisors are inputs only to decision making, with final determinations made by the Group's Remuneration Committee.

For the 2015 financial year, Senior Executives' remuneration packages included a mix of fixed remuneration, long-term incentives (at-risk), short-term incentives (at-risk) and other at-risk remuneration incentives.

The short-term incentives are an at-risk component of Senior Executives' remuneration provided in the form of cash and Performance Rights, which are subject to specific claw back mechanisms.

The long-term incentives are also an at-risk component of Senior Executives' remuneration and are provided in the form of Performance Rights.

Substantial information in relation to the structure and operation of both the short-term incentives and long-term incentives are included in the 2015 Remuneration Report.

#### ***Non-executive Director Key Management Personnel remuneration***

The level of Non-executive Directors' fees is subject to rigorous market-based testing and, where appropriate, advice from independent remuneration consultants.

Independent data has been previously obtained by the Group's Remuneration Committee to market test the value of the Non-executive Directors' fees. This information suggested that an overall rise in fees was warranted, particularly given no fees are payable for committee membership. However, this has not been implemented by Directors.

The fixed fee remuneration structure applicable to Non-executive Directors for FY15, irrespective of their additional roles in board committees was as follows:

- (a) Chair of Board – \$195,000 per annum
- (b) All other Non-executive Directors – \$95,000 per annum

These fee levels included all statutory entitlements such as superannuation and covered preparation and attendance at all Board and Committee meetings, irrespective of the number of meetings held during the financial year.

The Non-executive Directors' annual aggregate fee pool is currently \$1,100,000, with no increase being sought at this Annual General Meeting.

The Directors unanimously recommend that Members vote in favour of the remuneration report (noting that each Non-executive Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report).

### **Item 3 – Election of Directors**

The third item of business of the Annual General Meeting relates to the election of Directors.

Rule 28.6 (a) of the Constitution provides that at each Annual General Meeting of the Company the number of Directors which is nearest to, but not exceeding, one third of the Rotation Directors must retire from office. A Rotation Director is a Director, other than:

- (a) a Director whose appointment must be confirmed at the meeting under Clause 28.3 of the Constitution; and
- (b) the Managing Director.

A Director who retires under rule 28.6 (a) is eligible for re-appointment.

Accordingly, one Rotation Director must retire at this Annual General Meeting. Richard McGruther, being the Rotation Director longest in office since election, retires at this Annual General Meeting and, being eligible, has offered himself for re-election as a Director.

Rule 28.3 of the Constitution also provides that if a Director is appointed by the Board, that Director will hold office only until the next annual general meeting, at which time the appointed Director may stand for election. There are two Directors to be appointed under rule 28.3 of the Constitution since the last annual general meeting, being Bronwyn Morris and Linda Evans.

The election of Mr McGruther, Ms Morris and Ms Evans as Directors of the Company under rules 28.6 and 28.3 of the Constitution respectively must be considered and voted on as separate ordinary resolutions. Set out below are details of each resolution and of each candidate, together with the voting recommendation of the Board.

#### ***Resolution (a) - Re-election of Richard McGruther***

In accordance with rule 28.6 (a) of the Constitution, Richard McGruther, a non-executive Director, will retire at the Annual General Meeting and being eligible, has offered himself for re-election.

Mr McGruther complements the Board's desire for quality with his experience in corporate and financial management.

He is currently a consultant to Bentleys, a national chartered accountancy firm, with a particular focus on aged care services. Mr McGruther is a former board member of the Queensland Events Corporation Ltd, and former Chairman of QRU Limited and ARU Limited and was awarded an Order of the British Empire (OBE) for his services to the community and sport.

Mr McGruther is the Chair of the Board.

The Directors, with Mr McGruther abstaining, unanimously recommend that Mr McGruther be re-elected as a Director.

#### **Resolution (b) – Election of Bronwyn Morris**

In accordance with rule 28.3 of the Constitution, Bronwyn Morris, a non-executive Director, who was appointed a Director by the Board on 3 February 2015, has offered herself for election.

Ms Morris's career in publicly-listed, government and not-for-profit sectors spans more than two decades, across a wide range of industries. She is currently Chair of LG Super and a director of Collins Foods Limited, RACQ, RACQ Insurance and Fyfe Group Holdings. Ms Morris also has a number of charity and not-for-profit interests. Her previous directorships include QIC Limited, Spotless Group Limited and Chair of Queensland Rail.

Ms Morris is a fellow of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Accountants in Australia and New Zealand. Ms Morris is also a former partner of KPMG, in audit and corporate services, with experience in Brisbane, London and the Gold Coast.

Ms Morris is the Chair of the Audit and Risk Committee.

The Directors, with Ms Morris abstaining, unanimously recommend that Ms Morris be elected as a Director.

#### **Resolution (c) – Election of Linda Evans**

In accordance with rule 28.3 of the Constitution, Linda Evans, a non-executive Director, who was appointed a Director by the Board on 25 August 2015, has offered herself for election.

Ms Evans is a partner in the Clayton Utz Competition group, practising all aspects of trade practices and competition law. She has been a partner since 2000. Ms Evans was a Board member of Clayton Utz for four years and Chairman for two. She has recently joined the Board of Cycling Australia.

Ms Evans has a strong background in contentious matters and has a reputation for strategic advice on complex trade practices issues. Her expertise extends across enforcement proceedings, advice on pricing issues, structuring joint venture arrangements, obtaining merger clearances from the Australian Competition and Consumer Commission and regulation of natural monopoly-type infrastructure.

Ms Evans was recently awarded Lawyer of the Year, Regulatory Practice, Sydney (2014), was a finalist in Euromoney LMG Australasia Women in Business Law Awards: for Competition / antitrust (2013 and 2014) and has been included in the Best Lawyers Australia Competition (2008-2014) and Regulatory (2011-2014).

The Directors, with Ms Evans abstaining, unanimously recommend that Ms Evans be elected as a Director.

#### **Item 4 – Acquisition of 2015 STI Performance Rights and 2015 LTI Performance Rights by Mr Monro**

##### ***Background***

Under his employment contract, the Company's Managing Director, Mr Martin Monro, is eligible for participation in the Short Term Incentive Plan (**STI Plan**) and the Performance Rights Plan (**Performance Rights Plan**).

Under Listing Rule 10.14, the Company must seek shareholder approval to grant Performance Rights in the Company under the Performance Rights Plan, and provide Shares on exercise of those Performance Rights, to Mr Monro. If Member approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

The Company is seeking approval for the acquisition by Mr Monro of:

- the 2015 STI Performance Rights in satisfaction of the 2015 STI Component; and
- the 2015 LTI Performance Rights,

and the acquisition by him of Shares on exercise of those Performance Rights.

Each Performance Right to be granted to Mr Monro entitles him to acquire one Share, subject to the terms and conditions of the Performance Rights Plan (including certain Vesting Conditions). If the applicable conditions are met then, unless otherwise determined by the Board, the Performance Rights are automatically exercised for nil consideration.

Further details of the proposed grants are set out below.

In the Board's view, the performance hurdles that must be satisfied before the Performance Rights are exercisable facilitate the alignment of remuneration outcomes and Member risks and rewards. Issuing Performance Rights under the STI Plan and Performance Rights Plan is an established component of the Company's remuneration structure and the Directors, other than Mr Monro (in view of his personal interest in the resolution), believe it is appropriate for Members to approve the grants of Performance Rights contemplated to Mr Monro.

If Members do not approve the grant of these Performance Rights at this Meeting, the Board intends to:

- exercise its discretion under the STI Plan to pay the 2015 STI Component in cash, subject to similar vesting terms and conditions; and
- provide an incentive to Mr Monro in cash which is similar to the proposed 2015 LTI Performance Rights, subject to similar vesting terms and conditions.

### **2015 STI Performance Rights**

Under the terms of the short term incentive offered to Mr Monro under the STI Plan for FY15, he is entitled to be granted certain Performance Rights under the Performance Rights Plan in satisfaction of the 2015 STI Component (subject to the Board's discretion to satisfy the amount in cash).

The number of 2015 STI Performance Rights will be calculated as \$19,230 (being the 2015 STI Component) divided by the volume weighted average price of Shares sold on ASX on the five trading days prior to the date of the Annual General Meeting (being 17 November 2015 to 23 November 2015 (inclusive)).

However, no price is actually payable by Mr Monro for the proposed grant of the STI Performance Rights.

The 2015 STI Performance Rights are subject to a Performance Period of 18 months after the end of FY15 and specific clawback conditions as outlined below. The Board considered that the 18 month Performance Period was appropriate given it allows for a full financial year and further half years' financial results to be determined prior to Mr Monro benefitting from 25% of his total short term incentive entitlement for FY15.

In addition, the value of the 2015 STI Performance Rights is subject to change over this Performance Period in line with the Company's Share price, which directly aligns the final value of the award to the Company's Share price changes.

The Vesting Conditions for the 2015 STI Performance Rights are:

- Mr Monroe being employed by the Company or any of its related bodies corporate for 12 months after the date of grant of the 2015 STI Performance Rights and remaining employed at all times up to and including the Vesting Determination Date (being a date determined by the Board which is no more than four weeks after the release of the Company's reviewed financial report for the half year ending 31 December 2016) or when they earlier vest in accordance with the Performance Rights Plan; and
- the Board being satisfied that there is no reason that the 2015 STI Performance Rights should not vest, having regard to any matters that the Board considers relevant.

The Board may determine that this Vesting Condition is satisfied only in relation to a specified number or percentage of the 2015 STI Performance Rights.

### **2015 LTI Performance Rights**

The Board proposes to grant 450,000 Performance Rights to Mr Monroe under the Performance Rights Plan as part of his long term incentives.

The 2015 LTI Performance Rights will be granted for nil consideration, on the basis that their grant represents an incentive for future performance and will be subject to Vesting Conditions.

The 2015 LTI Performance Rights will be granted in two tranches of 225,000 Performance Rights each, with separate Vesting Conditions applying to each tranche. The Vesting Conditions are, respectively, that the Company has achieved:

- an earnings per share (**EPS**) target; or
- a total shareholder return (**TSR**) target,

over a three year Performance Period from 1 July 2015 and ending on 30 June 2018.

For each tranche, Mr Monroe must also be employed by the Company or any of its related bodies corporate for 12 months after the date of grant of the Performance Rights and remain employed at all times up to and including the Vesting Determination Date (which is a date determined by the Board which is no more than 4 weeks after the release of the Company's audited financial report for financial year ending 30 June 2018) or when they earlier vest in accordance with the Performance Rights Plan.

#### **○ EPS Performance Rights**

Half of Mr Monroe's 2015 LTI Performance Rights will be subject to an EPS Vesting Condition, which measures the Company's annual compound EPS growth over the Performance Period.

The proportion of these Performance Rights that vest will be determined based on the Company's actual aggregate basic EPS over the three-year Performance Period, compared to the aggregate basic EPS over the Performance Period that would need to be achieved to deliver the compound annual basic EPS growth rate (**CAGR**) targets determined by the Board (compared to the Company's basic EPS for FY15), as set out below:

	<b>CAGR Targets / Aggregate target basic EPS over the Performance Period</b>
Minimum CAGR Target	6.61% per year / 32.37 cents per Share
Maximum CAGR Target	23.14% per year / 43.75 cents per Share
Underlying FY15 basic EPS	9.48 cents per Share

The Company's actual aggregate basic EPS over the three-year Performance Period will be calculated on the basic EPS for each financial year as set out in the Company's annual reports for those years (or if not set out, based on the profit or loss after tax attributable to ordinary shareholders from underlying operations (ie excluding non-recurring or abnormal items) divided by the weighted average number of ordinary shares outstanding (on an undiluted basis) during the relevant financial year, as calculated in accordance with the International Financial Reporting Standards).

The table below outlines the proportion of the EPS Performance Rights which will vest in various scenarios:

<b>Actual aggregate basic EPS over the Performance Period relative to CAGR Targets</b>	<b>Proportion of EPS Performance Rights vesting</b>
Less than or equal to the Minimum CAGR Target	0%
Less than or equal to the Maximum CAGR Target but greater than Minimum CAGR Target	Straight line vesting between 50% and 100%
Greater than Maximum CAGR Target	100%

#### ○ **TSR Performance Rights**

The remaining half of Mr Monro's Performance Rights will be subject to a TSR Vesting Condition based on the Company's TSR over the Performance Period.

TSR is the percentage change in the Company's Share price over the Performance Period, taking into account any dividends notionally reinvested in Shares. The TSR Vesting Condition measures the Company's delivery of superior shareholder returns relative to its peer companies by ranking the TSR performance of the Company against the TSR performance of companies in a comparator group.

The proportion of these Performance Rights that vest will be determined based on the Company's TSR over the Performance Period relative to the TSR of a comparator group determined by the Board, as set out below. Details of the comparator group are set out in the Remuneration Report (see TSR Peer Group C).

TSR of the Company over the Performance Period relative to TSR of comparator group of companies	Proportion of TSR Performance Rights vesting
Less than 50th percentile	0%
50th – 75th percentile	Straight line vesting between 50% and 100%
Greater than 75th percentile	100%

## **Other key provisions of the Performance Rights and Performance Rights Plan**

### ***Performance Rights not transferable***

Performance Rights are not transferable without the prior written consent of the Board, which may be withheld in its absolute discretion, and may not be used to secure the payment of any money. This does not prevent the exercise of the Performance Rights by Mr Monro's personal representatives should he die.

### ***No dividend or voting rights***

Performance Rights carry no voting or dividend entitlements.

### ***Change of control***

Generally if a change of control has occurred, the Board may determine that all or a portion of any unvested Performance Rights automatically vest and automatically exercise. In exercising its discretion, the Board will take into consideration the achievement of the performance conditions up until the change of control. This determination may be made by the Board at any time prior to, but conditional upon, the change of control occurring.

If the Board does not make a determination within 60 days of the change of control, or determines that only some of the unvested Performance Rights will vest, the unvested Performance Rights automatically lapse, unless the Board otherwise determines.

### ***Bonus Issues and Reconstructions***

If the Company makes a pro rata bonus issue of Shares, Mr Monro is entitled, on exercise of the Performance Rights, to receive additional Shares based on the number of bonus Shares he would have received if, at the relevant time, he had held the number of Shares which are issued on exercise of the Performance Rights.

If the Company undertakes a reorganisation of its Shares, the number of the Performance Rights, or the Exercise Price (or both as appropriate) will be adjusted in the manner provided for by the Listing Rules.

Otherwise, the Mr Monro is not entitled to participate in any other issue of Shares as a result of holding Performance Rights.

### ***Treatment of Performance Rights on cessation of employment***

If Mr Monro ceases to be employed by any member of the Group as a result of retirement, redundancy, or ill health prior to the Performance Rights being exercised and the Vesting Conditions have not been met, unless the Board determines otherwise and provided Mr Monro has been employed for at least 12 months after the date of grant of the Performance Rights, a pro-rata proportion of the Performance Rights (based on the time that he was actively employed (and not on leave) since the grant of the Performance Rights relative to the relevant Performance Period) will not lapse but will be tested against the Vesting Conditions at the relevant Vesting Determination Date.

If Mr Monro ceases to be employed by any member of the Group for any other reason prior to the Performance Rights being exercised and the Vesting Conditions have not been met, unless the Board determines otherwise, the Performance Rights automatically lapse.

In each case, if all relevant Vesting Conditions have been met before Mr Monro ceases to be employed by any member of the Group but the Performance Rights have not been exercised, he will be entitled to exercise the Performance Rights (except in the case of termination of his employment for cause, in which case the Board has a discretion to permit the exercise of some or all of the Performance Rights).

***Vesting Conditions not met***

If any applicable Vesting Condition is not met by the relevant Vesting Determination Date, unless the Board determines otherwise, the Performance Rights automatically lapse.

***Allocation of Shares on vesting of Performance Rights***

The Company may elect to either issue or procure the transfer of the relevant number of Shares to the holder of Performance Rights upon their exercise.

Shares allocated to Mr Monro upon vesting of the Performance Rights will rank equally with other ordinary Shares on issue.

***Powers of the Board***

Except as expressly provided in the Performance Rights Plan, the Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Performance Rights Plan or any Performance Rights and in the exercise of any power or discretion under the Performance Rights Plan.

Notwithstanding any other provisions of the Performance Rights Plan, the Board may at any time waive in whole or in part any terms or conditions (including Vesting Conditions) in relation to any Performance Rights.

The Directors, other than Mr Monro, recommend that Members vote in favour this resolution. Mr Monro makes no recommendation in light of his personal interest in this resolution.

**Item 5 – Acquisition of 2016 STI Performance Rights by Mr Monro**

The Company has also made an offer of a short term incentive to Mr Monro under the STI Plan for the current FY16.

Under that short term incentive, the maximum amount that Mr Monro may receive (subject to meeting the various terms and conditions of the offer and the STI Plan) is \$640,989. As for the FY15 short term incentive, the 2016 STI Component (25% of the FY16 short term incentive to which Mr Monro actually becomes entitled (if any)) is to be satisfied by the grant of Performance Rights (subject to the Board's discretion to satisfy the amount in cash).

The Company is seeking approval under Listing Rule 10.14 (and all other purposes) for the acquisition by Mr Monro of the 2016 STI Performance Rights (if any) in satisfaction of the 2016 STI Component (if any) and the acquisition by him of Shares on exercise of those Performance Rights. If Member approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

Although these 2016 STI Performance Rights will not be granted until after the end of FY16, the Company is seeking Member approval now to provide certainty that the Company will be able to grant them to Mr Monro at that time. It also means that they can be granted before the 2016 Annual General Meeting, to better align with the timing of payment of any cash component of the short term incentive.



The number of 2016 STI Performance Rights (if any) will be calculated as the 2016 STI Component divided by the volume weighted average price of Shares sold on ASX on the five trading days prior to the date of grant of the Performance Rights.

Any 2016 STI Performance Rights will be subject to a Performance Period of 18 months after the end of FY16 and specific clawback conditions as outlined below. The Board considered that these terms are appropriate for the reasons outlined in relation to the 2015 STI Performance Rights.

The Vesting Conditions for any 2016 STI Performance Rights will be:

- Mr Monro being employed by the Company or any of its related bodies corporate for 12 months after the date of grant of the 2016 STI Performance Rights and remaining employed at all times up to and including the Vesting Determination Date (being a date determined by the Board which is no more than four weeks after the release of the Company's reviewed financial report for the half year ending 31 December 2017) or when they earlier vest in accordance with the Performance Rights Plan; and
- the Board being satisfied that there is no reason that the 2016 STI Performance Rights should not vest, having regard to any matters that the Board considers relevant.

The Board may determine that this Vesting Condition is satisfied only in relation to a specified number or percentage of the 2016 STI Performance Rights.

Except as otherwise stated, the terms and conditions of any 2016 STI Performance Rights will be the same as described for the 2015 STI Performance Rights.

If Members do not approve the grant of these Performance Rights at this Meeting, the Board intends to exercise its discretion under the STI Plan to pay any 2016 STI Component in cash, subject to similar vesting terms and conditions.

The Directors, other than Mr Monro, recommend that Members vote in favour this resolution. Mr Monro makes no recommendation in light of his personal interest in this resolution.

**Other information relating to the potential grants of the 2015 STI Performance Rights, 2015 LTI Performance Rights and the 2016 STI Performance Rights (Items 4 and 5)**

In accordance with Listing Rules 10.14 and 10.15A, the following additional information is provided:

- (a) No Director other than Mr Monro is currently eligible to participate in the grant of Performance Rights under the Performance Rights Plan and no other Directors have previously participated in the Performance Rights Plan.
- (b) No loan will be provided by the Company in relation to the grant or exercise of Performance Rights proposed to be granted to Mr Monro.
- (c) If Members approve Resolution 4, the Company will:
  - 1. grant the 2015 STI Performance Rights and the 2015 LTI Performance Rights within one month after the Meeting; and
  - 2. issue any Shares to be issued on exercise of those Performance Rights within 10 Business Days after their exercise, which will be no later than three years after the Meeting.
- (d) If Members approve Resolution 5, the Company will:
  - 1. grant the 2016 STI Performance Rights (if any) by 30 September 2016; and

2. issue any Shares to be issued on exercise of those Performance Rights within 10 Business Days after their exercise, which will be no later than three years after the Meeting.
- (e) Details of any Performance Rights granted to Mr Monro under the Performance Rights Plan, and any Shares issued to him on exercise of those Performance Rights, will be published in each annual report of the Company relating to the period in which any such Performance Rights or Shares have been granted or issued, and it will be noted in that annual report that approval for such grant of Performance Rights or issue of Shares was obtained under Listing Rule 10.14.
- (f) Any additional Directors or associates of Directors who become entitled to participate in the Performance Rights Plan after Resolution 4 or Resolution 5 (as applicable) is approved, and who are not named in the Notice or this Explanatory Statement, will not be eligible to participate until approval is obtained under Listing Rule 10.14.

## Part 3: Glossary

In this Explanatory Statement, and in the Notice, the following terms have the following meaning unless the context otherwise requires:

**2015 LTI Performance Rights** means the Performance Rights proposed to be granted to Mr Monro under the Performance Rights Plan as a long term incentive relating to the Performance Period 1 July 2015 to 30 June 2018.

**2015 STI Component** means \$19,230, being 25% of Mr Monro's short term incentive under the STI Plan for FY15.

**2015 STI Performance Rights** means the Performance Rights proposed to be granted to Mr Monro in satisfaction of his 2015 STI Component.

**2016 STI Component** means 25% of the FY16 short term incentive to which Mr Monro actually becomes entitled (if any).

**2016 STI Performance Rights** means the Performance Rights proposed to be granted to Mr Monro in satisfaction of his 2016 STI Component (if any).

**Annual General Meeting or Meeting** means the 2015 Annual General Meeting of the Members convened pursuant to the Notice for the purposes of considering the resolutions set out in the Notice.

**Annual Report** means the Annual Report of the Company for FY15.

**ASX** means ASX Limited or the securities exchange operated by it, as the context requires.

**Board** means Board of Directors of the Company.

**Closely Related Party** of a member of Key Management Personnel (**KMP**) means:

- (a) a spouse or child of the member of KMP;
- (b) a child of the member of KMP's spouse;
- (c) a dependent of the member of KMP or of the member of KMP's spouse;
- (d) anyone else who is one of the member of KMP's family and may be expected to influence the member of KMP, or be influenced by the member of KMP, in the member of KMP's dealings with the Company; or
- (e) a company that the member of KMP controls.

**Company** means Watpac Limited.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a Director of the Company.

**EPS** means earnings per share.

**EPS Performance Rights** means the 225,000 2015 LTI Performance Rights which are subject to the EPS Vesting Condition.

**EPS Vesting Condition** means the Vesting Conditions based on the EPS target, as described in the Explanatory Statement.

**FY15** means the financial year ended 30 June 2015.

**FY16** means the financial year ended 30 June 2016.

**Group** means the Company and subsidiaries of the Company.

**Key Management Personnel** are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

**Listing Rules** means the official listing rules of ASX.

**Member** means a holder of Shares.

**Notice** means the Notice in Part 1 pursuant to which the Annual General Meeting is convened.

**Performance Right** means a right to acquire a Share whether by purchase or subscription, and the corresponding obligation of the Company to provide the Share, on and subject to the terms of the Performance Rights Plan.

**Performance Rights Plan** means the Watpac Limited Performance Rights Plan, the key terms of which are outlined in the Explanatory Statement.

**Performance Period** means, in respect of a Performance Right, the period over which any Vesting Conditions are assessed.

**Remuneration Committee** means the remuneration committee of the Board.

**Remuneration Report** means the section of the Directors' Report contained in the annual Financial Report of the Company for FY15 entitled "Remuneration Report".

**Remuneration Resolutions** means the resolutions proposed in relation to Items 2, 4 and 5 in the Notice, and **Remuneration Resolution** means either of them as the context requires.

**Shares** means fully paid ordinary shares in the Company.

**STI Plan** means the Watpac Limited Short Term Incentive Plan.

**TSR Performance Rights** means the 225,000 2015 LTI Performance Rights which are subject to the TSR Vesting Condition.

**TSR Vesting Condition** means the Vesting Conditions based on the TSR target, as described in the Explanatory Statement.

**Vesting Condition** means, in respect of a Performance Right, one or more conditions that must be satisfied or circumstances which must exist before the Performance Right may be exercised, as determined by the Board at the time of grant.



## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 WTP  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

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### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

**Control Number: 999999**

**SRN/HIN: I999999999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 11:00am (Brisbane time) Sunday 22 November 2015**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Watpac Limited hereby appoint

☐

the Chairman  
of the Meeting OR



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Watpac Limited to be held at **Watpac Limited Head Office, Level 1, 12 Commercial Road, Newstead, QLD on Tuesday, 24 November 2015 at 11:00am (Brisbane time)** and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Resolutions 2, 4 & 5** as the Chairman decides (except where I/we have indicated a different voting intention below) even though **Resolutions 2, 4 & 5** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Resolutions 2, 4 & 5** by marking the appropriate box in step 2 below.

### STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 2	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(a)	Re-election of Director - Richard McGruther	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(b)	Election of Director - Bronwyn Morris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(c)	Election of Director - Linda Evans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Acquisition of 2015 STI Performance Rights and 2015 LTI Performance Rights by Mr Monro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Acquisition of 2016 STI Performance Rights by Mr Monro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

**Signature of Securityholder(s)** *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date    /    /

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Computershare +