

15 November 2013

Dear Shareholder

## **ANNUAL GENERAL MEETING**

On behalf of the Board of Directors, it is my pleasure to invite you to attend our Annual General Meeting to be held at **10.30am on Thursday 19 December 2013 at DuluxGroup's Head Office, 1956 Dandenong Road, Clayton, Victoria.**

Enclosed with this letter is a Notice of Meeting which sets out the business to be dealt with at the meeting and directions to attend the meeting.

If you are unable to attend but wish to vote on any of the resolutions to be put to the meeting, a personalised proxy form is enclosed. You can lodge your proxy on-line at [www.investorvote.com.au](http://www.investorvote.com.au). Alternatively, you can complete the enclosed proxy form and return it using the reply envelope or by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

You can access and download a copy of the DuluxGroup 2013 Annual Report from [www.duluxgroup.com.au](http://www.duluxgroup.com.au). If you elected not to receive a printed copy of our Annual Report and would like to now receive one, please call our Share Registry on 1300 090 835.

## **DIVIDEND REINVESTMENT PLAN**

On 13 November 2013, DuluxGroup announced that it will pay a fully franked final dividend of 9.5 cents per share in respect of the financial year ended 30 September 2013 (**Dividend**).

DuluxGroup's Dividend Reinvestment Plan (**DRP**) will operate in relation to the Dividend. Shareholders who participate in the **DRP** will receive DuluxGroup shares at a **2.5% discount** to the volume weighted average price over the five trading days commencing on 2 December 2013.

The **DRP** is an easy and cost-effective way to increase your shareholding in DuluxGroup. Shares allocated under the **DRP** are free of brokerage and other transaction costs. If you do not currently participate in the **DRP** and would like to take advantage of this discount, you may register by completing the enclosed **DRP Election Form** and returning it using the reply envelope. Alternatively, you can make your election online at [www.investorvote.com.au](http://www.investorvote.com.au). Your election must be received by our Share Registry by no later than 5.00pm on 28 November 2013.

We look forward to seeing you at the Annual General Meeting and welcome you to join us afterwards for light refreshments.

Yours sincerely,



**Peter Kirby**  
Chairman

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of DuluxGroup Limited ('the Company') will be held at DuluxGroup's Head Office at 1956 Dandenong Road, Clayton, Victoria 3168 on Thursday, 19 December 2013, at 10.30am.

### 1. Financial Report, Directors' Report and Auditor's Report

To receive and consider the financial report, directors' report and auditor's report for the year ended 30 September 2013.

### 2. Re-election of Directors

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

- 2.1. "That Mr Andrew Larke, who retires in accordance with Rule 8.1(d) of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director."
- 2.2. "That Ms Gaik Hean Chew, who retires in accordance with Rule 8.1(d) of the Company's Constitution, and being eligible, offers herself for re-election, be re-elected as a Director."

Details of the persons seeking re-election are set out in the Explanatory Notes to this Notice of Meeting.

### 3. Adoption of Remuneration Report

To consider, and if thought fit, pass the following resolution as a non-binding resolution:

"To adopt the Remuneration Report for the year ended 30 September 2013."

The Remuneration Report is set out in the Annual Report.

*Voting exclusion statement:*

*The Corporations Act 2001 (Cth) (**Corporations Act**) prohibits any votes being cast on resolution 3 by or on behalf of any member of the Company's key management personnel (as disclosed in the Remuneration Report) and their closely related parties. However, the restrictions will not apply where the vote is cast by:*

- (a) *a person as proxy for a person who is permitted to vote, in accordance with the directions on the proxy form; or*

(b) *a person chairing the meeting as a proxy for a person who is permitted to vote, and the appointment expressly authorises the Chairman to exercise the undirected proxies.*

**4. Issue of shares to Patrick Houlihan, Managing Director and Chief Executive Officer, under the Long Term Equity Incentive Plan 2013 offer**

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

“That approval be given to the issue of shares in DuluxGroup Limited to the Managing Director and Chief Executive Officer, Mr Patrick Houlihan, up to a maximum value of \$2,423,070 under the Company’s Long Term Equity Incentive Plan 2013 offer, on the terms summarised in the Explanatory Notes to this Notice of Meeting.”

**5. Issue of shares to Stuart Boxer, Chief Financial Officer and Executive Director, under the Long Term Equity Incentive Plan 2013 offer**

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

“That approval be given to the issue of shares in DuluxGroup Limited to the Chief Financial Officer and Executive Director, Mr Stuart Boxer, up to a maximum value of \$936,000 under the Company’s Long Term Equity Incentive Plan 2013 offer, on the terms summarised in the Explanatory Notes to this Notice of Meeting.”

*Voting exclusion statements (applicable to resolutions 4 and 5):*

*In accordance with the ASX Listing Rules, the Company will disregard any votes cast on resolutions 4 and 5 by Mr Houlihan and Mr Boxer or any of their associates. In addition, the Corporations Act provides that a member of the Company’s key management personnel (as disclosed in the Remuneration Report) and their closely related parties are not permitted to cast a vote as a proxy on these resolutions. However, these restrictions will not apply where the vote is cast by:*

- (a) *a person as proxy for a person who is permitted to vote, in accordance with the directions on the proxy form; or*
- (b) *a person chairing the meeting as a proxy for a person who is permitted to vote, and the appointment expressly authorises the Chairman to exercise the undirected proxies.*

**6. Approval of treatment under the Company’s Long Term Equity Incentive Plan**

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

“That approval be given for the purposes of sections 200B and 200E of the Corporations Act to the treatment of shares granted to senior executives of the Company pursuant to the Company’s long term incentive scheme, on the terms set out in the Explanatory Notes.”

*Voting exclusion statements (applicable to resolution 6):*

*The Corporations Act provides that a member of the Company's key management personnel (as disclosed in the Remuneration Report) and their closely related parties are not permitted to cast a vote as a proxy on these resolutions. However, these restrictions will not apply where the vote is cast by:*

- (a) a person as proxy for a person who is permitted to vote, in accordance with the directions on the proxy form; or*
- (b) a person chairing the meeting as a proxy for a person who is permitted to vote, and the appointment expressly authorises the Chairman to exercise the undirected proxies.*

**By order of the Board  
Simon Black  
Company Secretary  
15 November 2013**

## Notes

1. For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of Shares if that person is registered as a holder of Shares at 7.00pm (Melbourne time) on Tuesday, 17 December 2013.
2. A shareholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote instead of the shareholder. A proxy form is included with this Notice of Meeting and an additional proxy form (if two proxies are to be appointed) can be obtained from Computershare Investor Services Pty Limited. A proxy need not be a shareholder of the Company.
3. Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the member's voting rights on a poll. If the appointment does not specify the proportion or number of votes, each proxy may exercise half of the votes (any fraction of votes will be disregarded). Neither proxy is entitled to vote on a show of hands if more than one proxy attends.
4. If your proxy chooses to vote, he/she must vote in accordance with your directions. If you have directed your proxy to vote, and they fail to attend the meeting or they choose to not vote, then, on a poll, the Chairman of the Meeting will vote your proxies as directed by you.
5. The proxy form (and the power of attorney or other authority, if any, under which a proxy form is signed) must be completed and returned to the Company no later than 10.30am (Melbourne time) on Tuesday, 17 December 2013 by:
  - (a) lodging electronically via [www.investorvote.com.au](http://www.investorvote.com.au) and then inputting the shareholder's secure access information or;
  - (b) for Intermediary Online subscribers only (custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com);
  - (c) lodging it with Computershare Investor Services Pty Limited (452 Johnston Street, Abbotsford, Vic 3067) or the Company at its registered office (1956 Dandenong Road, Clayton, Victoria);
  - (d) posting it in the reply envelope to Computershare Investor Services Pty Limited (GPO Box 242, Melbourne, Vic 3001); or
  - (e) faxing it to Computershare Investor Services Pty Limited facsimile (within Australia) 1800 783 447, (outside Australia) +613 9473 2555.

Any proxy form received after that time will not be valid for the scheduled meeting.

6. The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the last of that corporation's place of incorporation.

# Explanatory Notes to Shareholders

## Item 1 – Financial Report

The Corporations Act requires the financial report (which includes financial statements, notes to the financial statements and directors' declaration), the directors' report and the auditor's report to be laid before the Annual General Meeting.

There is no requirement for a formal resolution on this matter. Accordingly, there will be no formal resolution put to the meeting.

Shareholders will be given a reasonable opportunity at the meeting to raise questions on these reports and to make comments on the business, operations and management of the Company.

## Item 2 – Re-election of Directors

The Board has considered the performance of each of the retiring directors standing for re-election as well as the skills, knowledge and experience they bring to the Board and their contribution to Board discussions.

The Board (with Mr Larke and Ms Chew abstaining in respect of their own re-election) recommends to shareholders the re-election of Mr Larke and Ms Chew.

Profiles of the candidates for election as Directors are set out below:

### Andrew Larke

Non-Executive Director since 1 October 2010. Member of the Audit and Risk Committee and Remuneration and Nominations Committee since 1 October 2013.

Mr Larke has spent more than 20 years in corporate strategy, mergers, acquisitions, legal and commercial roles in global companies including Orica Limited, where he is currently Global Head – Chemicals and Strategy. Previously, Andrew was General Manager, Mergers, Acquisitions and Strategy at North Limited.

### Gaik Hean Chew

Non-Executive Director since August 2010. Chair of the Safety and Sustainability Committee and member of the Remuneration and Nominations Committee.

Director of CPS Color Group of Finland and KCA International. Gaik Hean has more than 32 years' experience in the paints and chemicals sectors, most recently as Chief Executive of ICI Paints Asia from 1995 until 2008 and also as the former Managing Director of ICI Singapore.

The Board considers Mr Larke and Ms Chew to be independent Directors.

### **Item 3 – Remuneration Report (non-binding advisory vote)**

Shareholders are asked to adopt, by way of a non-binding resolution, the Company's Remuneration Report for the year ended 30 September 2013. The Remuneration Report is set out in the Directors' Report of the 2013 Annual Report.

In particular, the Remuneration Report discusses the:

- remuneration policy adopted by the Board;
- links between the Board's policy and the Company's performance;
- remuneration details of each Director and certain members of the Group Executive team; and
- the performance conditions that must be met prior to Executives deriving any value from the 'at risk' components of their remuneration.

Shareholders will be given the opportunity to comment on and ask questions about the Remuneration Report.

The vote on this item is advisory only and will not bind the Directors or the Company. However, the Board will take into account the discussion on this resolution and the outcome of the vote when considering the future remuneration arrangements of the Company.

Furthermore, as a result of the provisions in the Corporations Act known generally as the 'two strikes rule', shareholders should note that the result of the vote on this item may affect the conduct of next year's Annual General Meeting. If 25% or more of the votes are cast 'against' the adoption of the Remuneration Report at the 2013 and 2014 Annual General Meeting, the Corporations Act requires a resolution on whether to hold a further meeting to spill the Board to be put to the 2014 Annual General Meeting. The Directors therefore encourage shareholders to apply the same level of diligence as for the binding resolutions when casting their vote on resolution 3.

The Board recommends that shareholders vote in favour of this non-binding resolution.

### **Items 4 and 5 – Issue of shares to Patrick Houlihan and Stuart Boxer under the 2013 LTEIP offer**

The Company operates a Long Term Equity Incentive Plan (**LTEIP**) as part of its long term executive remuneration strategy. Under the LTEIP, eligible executives are provided with a non-recourse loan for the sole purpose of acquiring shares in the Company.

As detailed in the Remuneration Report, during the year the Board undertook a review of the Company's remuneration arrangements, including the Company's long term incentive arrangements. Having reviewed the relative merits of the LTEIP, and a number of alternative designs (including performance rights plans), the Board confirmed that it considers it desirable that the long term incentive component of executives' remuneration continue to be delivered through the LTEIP.



The LTEIP facilitates share ownership by the senior managers and links a significant proportion of their 'at-risk' remuneration to DuluxGroup Limited's ongoing share price and returns to shareholders over the performance period. It is designed to encourage senior managers to focus on the key performance drivers which underpin sustainable growth in shareholder value.

The Board believes the LTEIP, which has both an earnings 'gateway' that must be achieved before any shares vest and a relative total shareholder return performance condition which provides for a portion of the loan to be forgiven where DuluxGroup performs well against its market comparators, promotes behaviour that will achieve superior performance over the long term.

Under ASX Listing Rule 10.14, shareholder approval is required in order for a director to be issued securities under an employee incentive scheme. Accordingly, shareholders are asked to approve the issue of shares under the 2013 LTEIP offer up to a maximum value of \$2,423,070 to Mr Houlihan and \$936,000 to Mr Boxer as part of their long term incentive arrangements on the terms set out in these Explanatory Notes.

To further strengthen the alignment of the interests of the CEO and CFO with value creation for shareholders, the Board introduced share ownership guidelines during the year that encourage the CEO and CFO and other senior executives to build and maintain a minimum shareholding of unrestricted DuluxGroup shares (being shares that are held by executives in their own right and that are not held and restricted under the LTEIP).

These guidelines encourage executives to achieve their requisite holding of unrestricted DuluxGroup shares over a period of 5 years. Under the guidelines, the CEO and CFO are to build a shareholding of unrestricted DuluxGroup shares equivalent to at least 100% of their fixed annual remuneration.

A brief overview of the LTEIP offer is set out below. Further details of Mr Houlihan's and Mr Boxer's remuneration packages, and the LTEIP, are set out in the Remuneration Report on pages 57 to 77 of the 2013 Annual Report.

<p><b>Entitlement under 2013 LTEIP offer</b></p>	<p>If shareholder approval is obtained, Mr Houlihan and Mr Boxer will be granted a loan of \$2,423,070 and \$936,000, respectively, under the 2013 LTEIP offer for the sole purpose of acquiring shares in the Company.</p> <p>The amount of the LTEIP loan is calculated based on the relevant long term incentive component target amount of their remuneration multiplied by an externally determined value, calculated using an adjusted Black-Scholes option pricing valuation model.</p>
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<p><b>Key terms of the loan</b></p>	<p>The LTEIP loan is a non-recourse loan from the Company for the sole purpose of acquiring shares in the Company.</p> <p>Any dividends paid on the shares while the shares are restricted are applied (on a notional after-tax basis) towards repaying the loan. The balance of the dividend is paid directly to the executives to fund their tax liability on the dividends received.</p> <p>Following the end of the three year performance period, if the 'gateway' is met (refer below for details), the LTEIP shares will vest and the executives must repay the LTEIP loan, either directly or by applying the proceeds from the sale of some or all of their shares to repay the loan.</p> <p>In order to reward superior performance, part of the loan (up to a maximum of 30%) may be forgiven at the end of the performance period if the performance condition (refer below for details) is achieved.</p> <p>There is no annual interest charge to the executive on the loan, however, an interest component is taken into account in determining the level of performance based debt forgiveness benefit that may be awarded.</p> <p>As this is a non-recourse loan, if the value of the shares is less than the outstanding loan balance at the end of the performance period, the shares will be surrendered and forfeited in full settlement of the loan balance and no benefit accrues to the executive.</p>
<p><b>Number and price of LTEIP shares</b></p>	<p>The number of DuluxGroup Limited shares to be allocated to Mr Houlihan and Mr Boxer will be determined by dividing the value of their respective LTEIP loans by the volume weighted average price of DuluxGroup Limited shares sold on the ASX during the period of 5 trading days up to and including 18 December 2013.</p> <p>If shareholder approval is obtained, it is expected that DuluxGroup Limited shares will be issued to Mr Houlihan and Mr Boxer on 20 December 2013, but in any event no later than 30 days after the AGM.</p> <p>The Board believes that an equity-based long term incentive is important to ensure an appropriate part of the executive's reward is linked to generating long term returns for shareholders.</p> <p>However, if shareholders do not approve the issue of shares as part of Mr Houlihan or Mr Boxer's long term incentive arrangements, the proposed issue of shares to Mr Houlihan and Mr Boxer will not proceed. In that event, there may be issues associated with the competitiveness of their overall remuneration package, alignment of rewards with other senior executives and the Company's contractual obligations to Mr Houlihan and Mr Boxer. In these circumstances, the Board would need to consider alternative remuneration arrangements for Mr Houlihan and Mr Boxer which are consistent with DuluxGroup's remuneration principles, including providing Mr Houlihan and Mr Boxer with an equivalent long term cash incentive subject to the same performance conditions and performance period as described below.</p>



<b>Performance period</b>	The performance period is three years. The performance condition is only tested once at the end of the performance period.										
<b>'Gateway' condition</b>	<p>The Company must achieve a minimum level of acceptable performance before any awards will vest under the LTEIP – for the 2013 grant, compound annual growth in the Company's earnings per share (<b>EPS</b>) over the three year period from must equal or exceed 4% per annum.</p> <p>EPS is calculated by dividing the Company's net profit after tax by the weighted average number of ordinary shares on issue during the relevant period. The Board has retained discretion to adjust EPS for individually material items on a case by case basis when determining whether the EPS performance gateway condition has been met.</p> <p>Where the gateway is met at the end of the performance period, there is potentially value to the executive if the value of the LTEIP shares is greater than the outstanding LTEIP loan balance that must be repaid.</p>										
<b>Performance condition (for loan forgiveness)</b>	<p>Relative total shareholder return (<b>TSR</b>) is used to determine the level of loan forgiveness under the plan ('the forgiveness amount').</p> <p>There is no loan forgiveness if the Company's relative TSR is below the 51st percentile against a comparator group of peer companies in the ASX200, excluding those companies which operate in very different markets (ie mining financial services and overseas domiciled companies, and listed property trusts). If the Company's relative TSR is greater than or equal to the 51st percentile, a proportion of the initial loan balance is forgiven on a 'sliding scale' as shown below (up to a maximum of 30%).</p> <table border="1" data-bbox="501 1339 1342 1742"> <thead> <tr> <th data-bbox="501 1339 884 1406">Relative TSR ranking</th> <th data-bbox="884 1339 1342 1406">Loan forgiveness</th> </tr> </thead> <tbody> <tr> <td data-bbox="501 1406 884 1473">Less than 51<sup>st</sup> percentile</td> <td data-bbox="884 1406 1342 1473">0%</td> </tr> <tr> <td data-bbox="501 1473 884 1541">51<sup>st</sup> percentile</td> <td data-bbox="884 1473 1342 1541">10%</td> </tr> <tr> <td data-bbox="501 1541 884 1675">Between 51<sup>st</sup> percentile and 75<sup>th</sup> percentile</td> <td data-bbox="884 1541 1342 1675">Percentage of loan forgiveness increases on a straight line basis between 10% and 30%</td> </tr> <tr> <td data-bbox="501 1675 884 1742">75<sup>th</sup> percentile or above</td> <td data-bbox="884 1675 1342 1742">30%</td> </tr> </tbody> </table>	Relative TSR ranking	Loan forgiveness	Less than 51 <sup>st</sup> percentile	0%	51 <sup>st</sup> percentile	10%	Between 51 <sup>st</sup> percentile and 75 <sup>th</sup> percentile	Percentage of loan forgiveness increases on a straight line basis between 10% and 30%	75 <sup>th</sup> percentile or above	30%
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<b>Trading restrictions</b>	The shares are restricted until the end of the vesting / performance period and while the loan remains outstanding.
<b>Cessation of employment</b>	In general, all shares are forfeited and surrendered if a participant ceases employment prior to the end of the performance period. However, the Board has discretion to determine that some or all of a participant's LTEIP shares may vest and some or all of the loan forgiveness amount is granted in appropriate circumstances.
<b>Other required information – ASX Listing Rules</b>	Mr Houlihan and Mr Boxer are the only directors entitled to participate in the LTEIP scheme.  In accordance with the approval received from shareholders at the 2012 Annual General Meeting, during the 2013 financial year, the Company allocated 612,021 and 154,595 shares to Mr Houlihan and Mr Boxer, respectively, at a price of \$3.70 per share.

The Board (other than Mr Houlihan and Mr Boxer who have an interest in resolutions 4 and 5, respectively) recommends that shareholders vote in favour of resolutions 4 and 5.

#### **Item 6 – Renewal of approval of treatment under the Company's Long Term Equity Incentive Plan**


Shareholders are asked to approve the treatment of unvested LTEIP shares on cessation should the Board exercise certain discretions under the LTEIP.

As noted in resolutions 4 and 5 of this Notice in respect of issues of shares to the Executive Directors under the LTEIP, in general where an executive ceases employment with the Company during the performance period, their LTEIP shares will be forfeited in full satisfaction of the loan.

However, in exceptional circumstances (for example, where the cessation of employment was due to death or disability or other circumstances approved by the Board), the Board has discretion to determine that some or all unvested shares do not lapse, and that they vest on cessation, for example, on a pro rata basis having regard to the portion of the performance period that has elapsed and the Company's performance. The Board also has discretion to award part of the loan forgiveness amount on this basis. In such circumstances, the executive is still required to repay the outstanding portion of the loan.

The Corporations Act provides that any such 'accelerated' vesting on cessation will be included in the limit payable to certain executives on termination for the purposes of the Act, unless shareholder approval is obtained.

Accordingly, approval is sought for the treatment of any termination 'benefit' payable to current or future senior executives who are regulated by those provisions and participating in the Company's long term incentive scheme, on cessation of employment in the limited circumstances referred to above. If obtained, the effect of the approval is that, should the Board determine to exercise its discretion to vest a portion of LTEIP shares on cessation and award any loan forgiveness in the manner set out above, the value will not be included in the limit payable on termination for the purposes of the Act.



Shareholders approved this treatment in 2010 as part of DuluxGroup's demerger from Orica Limited. To date, the Board has not relied on this approval.

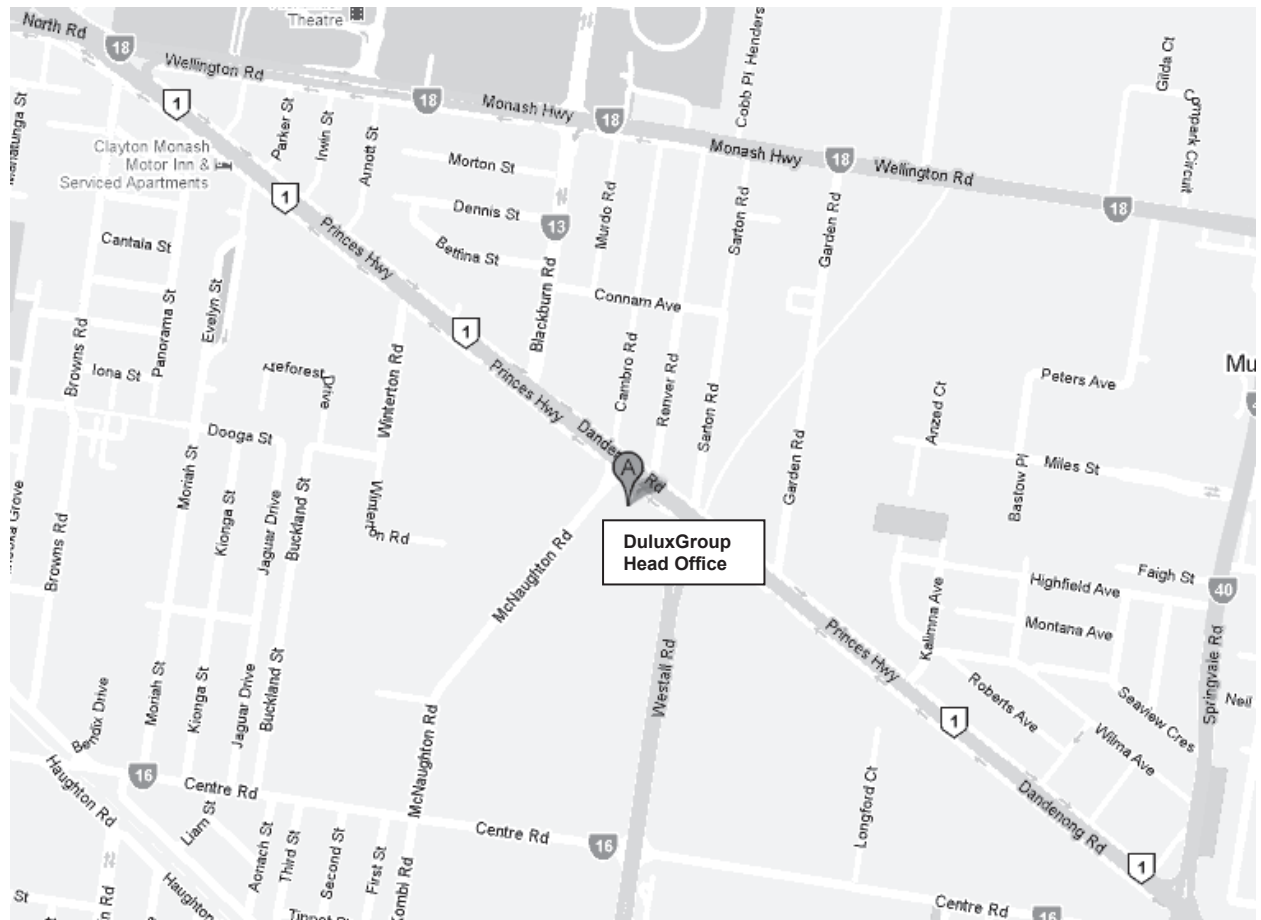
While the resolution is, at law, not limited by time, in the interests of good governance, the Company undertook to return the matter to shareholders in three years' time. If approval is obtained, the Board again intends to 'refresh' this approval in three years' time.

The value of the benefit in these circumstances cannot currently be ascertained. The circumstances which might affect calculation of this benefit may include the portion of the performance period that has elapsed at the time employment ceases and the Company's performance against the vesting and performance condition.

Further information on the Company's long term incentive arrangements is set out on pages 68 to 71 of the Remuneration Report.

The Board (other than the Executive Directors who abstained because of their interest in the resolution) unanimously recommends that shareholders vote in favour of resolution 6.

## Location of Annual General Meeting



## Transport Options

### Trains

Westall Station on the Pakenham Line or Syndal Station on the Glen Waverley Line. Bus transfers will depart both Westall Station and Syndal Station to the meeting venue at 9.45am. Return bus transfers to both Westall Station and Syndal Station will also be available departing approximately 30 minutes after the meeting concludes.

**If you intend to travel by train and require a bus transfer to and from the meeting venue, please register by calling DuluxGroup Reception on (03) 9263 5678 by no later than 5.00pm on 12 December 2013.**

### Buses

Bus route 631 (operating between Southland Shopping Centre and Waverley Gardens Shopping Centre) or bus route 800 (operating between Dandenong Station and Chadstone Shopping Centre).

### Car Parking

Car parking is available on site. Entry to the site is via McNaughton Road if travelling from Centre Road, Blackburn Road or Dandenong Road (from the city). Entry to the site is via Dandenong Road if travelling from Westall Road or Dandenong Road (from Dandenong).