

# ASX RELEASE

23 September 2016

ASX Market Announcements  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

## **Watpac Limited 2016 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 2016 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**

Thursday 27 October 2016

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 Thursday 27 October 2016 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 2016.

### 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 2016 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 Johan Beerlandt, 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 Garret Dixon, a Director retiring by rotation in accordance with rule 28.6 (a) of the Constitution and being eligible, be re-elected as a Director.*

### Item 4 – Acquisition of 2016 LTI Performance Rights by Mr Monro

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 Monro of the 2016 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 2017 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 2017 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 2016 LTI Performance Rights and Item 5 – Acquisition of 2017 STI Performance Rights:**

- by Mr Monroe and any other Directors who are eligible to participate in the Performance Rights Plan and any associate of Mr Monroe 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 Tuesday, 25 October 2016.

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 25 October 2016. 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*



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Mark Baker  
Company Secretary  
23 September 2016

## 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 Thursday 27 October 2016 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 2016.

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 40 – 57 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 2015 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 2016 financial year, Senior Executives' remuneration packages included a mix of fixed remuneration, long-term incentives (at-risk) and short-term incentives (at-risk).

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 2016 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.

Following an extensive market analysis in early FY16, the Board moved to adopt a more granular fee structure, effective from 1 September 2015, which varies according to Directors' respective representation and roles on Board committees.

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

Substantial information in relation to the Non-executive Director remuneration structure is included in the 2016 Remuneration Report.

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, two Rotation Directors must retire at this Annual General Meeting. Johan Beerlandt and Garret Dixon, being the Rotation Directors longest in office since election, retire at this Annual General Meeting and, being eligible, have offered themselves for re-election as Directors.

The election of Mr Beerlandt and Mr Dixon as Directors of the Company under rule 28.6 of the Constitution 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 Johan Beerlandt***

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

Mr Beerlandt is Chief Executive Officer and Chairman of one of Belgium's largest construction companies, BESIX Group, and has extensive expertise in the international contracting sector. Mr Beerlandt joined BESIX Group in 1974 and has overseen the delivery of major projects in Europe, Africa and the Middle East. Under his leadership, BESIX has grown from a traditional civil and building construction company to a multidisciplinary organisation, achieving revenues of over \$3B in 2015 and operating in 21 countries over four continents.

Mr Beerlandt is a Director of the Management Board of the Belgian Federation of Enterprises (FEB-VBO), a Member of the Advisory Board of ING Bank, and Chairman of the Arab Belgian Luxemburg Chamber of Commerce. He has a Masters of Civil Engineering and Architecture from the University of Ghent in Belgium and completed The General Manager Program at Harvard University.

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

#### ***Resolution (b) – Re-election of Garret Dixon***

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

Mr Dixon (BEng(Civil) Hons, MBA) is an experienced and accomplished senior executive with extensive experience in the resources, transport and contracting sectors in Australia and overseas. His work in both private and ASX listed companies spans more than three

decades, having worked in senior executive roles for major mine owners, mine operators and contractors in the iron ore, gold, coal, nickel and bauxite commodities markets.

Mr Dixon commenced his career as a civil engineer for the Federal Government in 1981, overseeing major civil infrastructure projects in South Australia and the Northern Territory. In 1988, he joined civil construction and contract mining group Henry Walker Eltin Ltd, where he worked for 18 years in various positions including Executive General Manager, HWE Mining, prior to joining Mitchell Corporation as Managing Director in April 2006. Mr Dixon was appointed as Managing Director and CEO of Gindalbie Metals Ltd in December 2006, where he remained until 2011 when he joined Aurizon/QR National as Vice President of Iron Ore Business Development.

In 2013 Mr Dixon joined Alcoa, the world's leading producer of primary and fabricated aluminium as well as the world's largest miner of bauxite and refiner of alumina. As the President Alcoa Mining since 2015 he leads and is responsible for Alcoa's global bauxite business.

The Directors, with Mr Dixon abstaining, unanimously recommend that Mr Dixon be elected as a Director.

#### **Item 4 – Acquisition of 2016 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 2016 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 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 grant 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 provide an incentive to Mr Monro in cash which is similar to the proposed 2016 LTI Performance Rights, subject to similar vesting terms and conditions.

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

The 2016 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 2016 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 2016 and ending on 30 June 2019.

For each tranche, Mr Monro 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 2019) or when they earlier vest in accordance with the Performance Rights Plan.

#### ○ **EPS Performance Rights**

Half of Mr Monro's 2016 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 FY16), as set out below:

	<b>CAGR Targets / Aggregate target basic EPS over the Performance Period</b>
Minimum CAGR Target	37.96% per year / 25.35 cents per Share
Maximum CAGR Target	59.81% per year / 35.32 cents per Share
Underlying FY16 basic EPS	4.29 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 (i.e. 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 D).

<b>TSR of the Company over the Performance Period relative to TSR of comparator group of companies</b>	<b>Proportion of TSR Performance Rights vesting</b>
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, 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 2017 STI Performance Rights by Mr Monro**

As noted in relation to item 4, Mr Monro's employment contract provides that he is eligible for participation in the STI Plan. Issuing Performance Rights under the STI 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 grant of 2017 STI Performance Rights contemplated to Mr Monro.

The Company has made an offer of a short term incentive to Mr Monro under the STI Plan for the current FY17.

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 \$720,750.

The 2017 STI Component (25% of the FY17 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 2017 STI Performance Rights (if any) in satisfaction of the 2017 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 2017 STI Performance Rights will not be granted until after the end of FY17, 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 2017 Annual General Meeting, to better align with the timing of payment of any cash component of the short term incentive.

The number of 2017 STI Performance Rights (if any) will be calculated as the 2017 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 (**5-day VWAP**).

However, no price is actually payable by Mr Monro for the proposed grant of the 2017 STI Performance Rights.

For illustrative purposes only, the following table demonstrates the number of Performance Rights that could be issued to Mr Monro if he becomes entitled to the maximum 2017 STI Component (\$180,187.50) at various illustrative 5-day VWAPs. The actual number will vary depending on the actual 2017 STI Component and the actual 5-day VWAP. The 5-day VWAPs used have been selected given the WTP share price traded at a range between 0.750 and 1.130 for the 12 months to 1 September 2016.

<b>Illustration of the 2017 STI Performance Rights that could be granted to Mr Monro</b>	
<b>5-day VWAP</b>	<b>Number of 2017 STI Performance Rights issues</b>
0.75	240,250
0.85	211,986
0.95	189,672
1.05	171,608
1.130	159,458

Any 2017 STI Performance Rights will be subject to a Performance Period of 18 months after the end of FY17 and specific clawback conditions as outlined below.

The Board considered that these terms are appropriate given it allows for a full financial year and further half year's financial results to be determined prior to Mr Monro benefitting from 25% of his total short term incentive entitlement for FY17. In addition, the value of the 2017 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 any 2017 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 2017 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 2018) or when they earlier vest in accordance with the Performance Rights Plan; and
- the Board being satisfied that there is no reason that the 2017 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 2017 STI Performance Rights.

Details of other key provisions of the Performance Rights and Performance Rights Plan are set out in Item 4 above.

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 2017 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 2016 LTI Performance Rights and the 2017 STI Performance Rights (Items 4 and 5)**

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

- (a) No Director other than Mr Monroe 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) The following Performance Rights have been issued under the Performance Rights Plan to directors and their associates since the last approval at the 2015 annual general meeting:

Name	Number of Performance Rights		Issue Price (\$)
Mr Monroe	2015 LTIP	450,000	Nil
	FY15 STIP	18,301	Nil
	FY16 STIP	13,544	Nil

- (c) No loan will be provided by the Company in relation to the grant or exercise of Performance Rights proposed to be granted to Mr Monroe.
- (d) If Members approve Resolution 4, the Company will:
  - 1. grant the 2016 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.
- (e) If Members approve Resolution 5, the Company will:
  - 1. grant the 2017 STI Performance Rights (if any) by 30 September 2017; 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.

## Part 3: Glossary

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

**2016 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 2016 to 30 June 2019.

**2017 STI Component** means 25% of the FY17 short term incentive to which Mr Monro actually becomes entitled (if any).

**2017 STI Performance Rights** means the Performance Rights proposed to be granted to Mr Monro in satisfaction of his 2017 STI Component (if any).

**5-day VWAP** means the volume weighted average price of Shares sold on ASX on the five prior trading days.

**Annual General Meeting** or **Meeting** means the 2016 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 FY16.

**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 2016 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.

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

**FY17** means the financial year ended 30 June 2017.

**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 FY16 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 2016 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 552 270  
(outside Australia) +61 3 9415 4000

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: I9999999999**

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) Tuesday 25 October 2016**

## 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

IND

# Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

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 Thursday, 27 October 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** 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 - Johan Beerlandt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(b)     Re-election of Director - Garrett Dixon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4     Acquisition of 2016 LTI Performance Rights by Mr Monro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5     Acquisition of 2017 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

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/

/