

18 October 2024



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ASX Market Announcements

Supplementary Disclosure and Amendment to Notice of Annual General Meeting 2024

GWA Group Limited (**GWA**) refers to the Notice of Annual General Meeting dated 27 September 2024 (**Notice of Meeting**), regarding the Annual General Meeting to be held at 10.30 am (Brisbane time) on Monday, 4 November 2024 (**AGM**) which was circulated to shareholders on 27 September 2024.

In response to concerns raised by shareholders regarding the hurdle rates for the LTI award proposed for the MD/CEO, the Board has determined to increase the EPS compound annual growth rate (**CAGR**) targets for the EPS Hurdle to an EPS CAGR of 5-10% in lieu of the EPS CAGR of 3-6%.

This revised measure for the EPS Hurdle is the same as that approved by shareholders under the LTIP in FY24.

The Board has therefore determined to issue this Supplementary Disclosure, which amends and forms part of the Notice of Meeting. Defined terms in this Supplementary Disclosure have the same meaning as given to those terms in the Notice of Meeting.

GWA confirms that in issuing this Supplementary Disclosure there is no change to the time and date of the AGM.

This Supplementary Disclosure is issued to provide amended disclosure in relation to that section of the Explanatory Memorandum which relates to Resolution 3: Approval of grant of Performance Rights to Managing Director under the GWA Long Term Incentive Plan. These changes apply to pages 4 - 6 of the Notice of Meeting, as shown in mark-up in the **Attachment** to this announcement.

Any shareholders who may have already voted and who wish to change their vote may update their vote electronically at <http://www.investorvote.com.au> (control number: 134143) or by contacting GWA's share registry – Computershare – for a replacement proxy form.

This announcement was authorised for release by the Chair of the GWA Board.

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RESOLUTION 3 – APPROVAL OF GRANT OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR, MR URS MEYERHANS, UNDER THE GWA LONG TERM INCENTIVE PLAN

BACKGROUND

The GWA Group Limited Long Term Incentive Plan (LTIP) was approved by shareholders at the Annual General Meeting on 30 October 2008, and forms part of the Company's remuneration strategy. The LTIP is designed to align the interests of executives and shareholders and to assist the Company in the attraction, motivation and retention of executives.

Under the LTIP, eligible persons may be granted performance rights on terms and conditions determined by the Board from time to time (**Performance Rights**). A Performance Right is the right to receive one share in the Company, at no exercise price, subject to the satisfaction of all applicable vesting conditions. The Board has a discretion to satisfy Performance Rights in cash by payment of an amount equal to the gross value (as determined by the Board in its discretion) of the Shares that would have been allocated or transferred to the participant if the Board chose to settle the Performance Rights in Shares (including any applicable superannuation).

KEY TERMS OF THE FY25 LTIP

Continued employment condition

This condition is satisfied if the employee continues to be an employee or director of GWA or its related bodies corporate at the **Test Date** (i.e. 5:00pm on the date on which the Company releases its audited full year financial statements for the year ending 30 June 2027 to ASX).

If they cease to be an employee before that time, all Performance Rights lapse unless the Board determines, in its absolute discretion, that some or all will not lapse and will be tested against the TSR and EPS performance hurdles on the Test Date.

In any event, all Performance Rights (including those vested) will lapse and be immediately forfeited in cases of fraud, gross dishonesty, or termination of employment for a reason that would justify summary dismissal by the employer.

Vesting conditions

For the provision of benefits under the LTIP in FY25, the Board has decided on the following two measures to determine awards under the plan:

- 70% of Performance Rights calculated by reference to Statutory Earnings Per Share (**EPS**) growth targets for the relevant performance period (**EPS Hurdle**); and
- 30% of Performance Rights calculated by reference to relative Total Shareholder Return (**TSR**) for the relevant performance period (**TSR Hurdle**).

While these measures are the same as those used under the LTIP in FY24, the Board has considered the structure and operation of the LTIP and determined to make the following changes to the LTIP in FY25:

- the percentage proportion of Performance Rights to vest under the EPS Hurdle and TSR Hurdle has been reweighted to 70% and 30% respectively (FY24 LTIP 50% EPS Hurdle and 50% TSR Hurdle);
- ~~the EPS compound annual growth rate (CAGR) targets for the EPS Hurdle are now in the range of EPS CAGR 3-6% (FY24 LTIP EPS CAGR 5-10%); and~~
- the comparator group for the TSR Hurdle will now be all companies in the S&P/ASX Small Ordinaries index (FY24 LTIP TSR Hurdle: chosen basket of companies).

No other changes have been made to the LTIP.

Both EPS and TSR are key measures on which the Company's strategic plan is focused. Ensuring long term incentive rewards are contingent on these measures is consistent with the Board approved strategy. The performance hurdles and vesting proportions for each measure that will apply to the grant of Performance Rights during FY25 are set out below.

The Performance Rights proposed to be issued will have a three-year performance period (from 1 July 2024 to 30 June 2027) (**Performance Period**).

EPS Hurdle

70% of Performance Rights will be assessed against the EPS Hurdle.

The EPS Hurdle is tested by calculating the compound annual growth rate (CAGR) in the Company's EPS, using EPS at the end of FY24 as the base year. The resulting growth rate is used to determine the level of vesting for the Performance Rights subject to the EPS Hurdle.

The EPS Hurdle will be tested at 30 June 2027. The table below sets out the percentage of Performance Rights that can vest depending on the Company's growth in EPS.

GWA Group Limited EPS CAGR over three year performance period	Proportion of Performance Rights to vest if EPS hurdle is met
Less than 35 %	0%
Equal to 35 %	25%
Between 35 % and 610 %	Straight line vesting between 25% and 100%
610 % and higher	100% (i.e. 70% of total grant)

TSR Hurdle

30% of Performance Rights will be assessed against the TSR Hurdle.

The TSR Hurdle measures the growth in the price of securities plus cash distributions notionally reinvested in securities. The TSR Hurdle compares the Company's TSR over the Performance Period against the TSR of each company in the S&P/ASX Small Ordinaries index as at 1 July 2024 over the same period. For the purposes of calculating the TSR measurement, the security prices (plus cash distributions notionally reinvested in securities) of the Company and each comparator company will be averaged over the 20 consecutive ASX trading days preceding the start date and end date of the relevant Performance Period.

The percentage of Performance Rights that vest will be as follows:

TSR of GWA Group Limited relative to TSRs of Comparator Companies	Proportion of Performance Rights to Vest if TSR hurdle is met
Less than the 50th percentile	0%
Equal to 50th percentile	25%
Between the 50th percentile and 75th percentile	Straight line vesting between 25% and 100%
75th percentile or higher	100% (i.e. 30% of total grant)

The Board considers the S&P/ASX Small Ordinaries index to be an appropriate comparator group for the Company. The index is designed to measure companies included in the S&P/ASX 300, but not in the S&P/ASX 100. It ensures an adequate number of comparator companies is included for the TSR Hurdle, including companies outside the building supplies and construction materials industry but subject to similar external influences.

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

Number of Performance Rights

The number of Performance Rights to be granted to Mr Meyerhans is calculated as follows: 150% of his total fixed remuneration for FY25 (being, base salary plus superannuation) divided by the volume weighted average price of shares in the Company calculated over the 10 trading days following the announcement of the full year financial results for FY24 (being, \$2.41). That is:

$$\frac{150\% \times \$1,000,000}{\$2.41} = 622,406 \text{ Performance Rights}$$

Accordingly, if this Resolution 3 is approved by shareholders, the number of Performance Rights to be granted to Mr Meyerhans for FY25 is 622,406 Performance Rights, with a maximum face value equal to 150% of Mr Meyerhans' total fixed remuneration (i.e. \$1,000,000 x 150% = \$1,500,000).

Approval sought

The Board is seeking shareholder approval by ordinary resolution for the grant of 622,406 Performance Rights under the LTIP to the Managing Director, Mr Urs Meyerhans, in accordance with the requirements of Listing Rule 10.14 and for all other purposes.

ADDITIONAL INFORMATION AND OTHER KEY TERMS OF THE LTIP

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

Mr Meyerhans is eligible to receive Performance Rights under the LTIP, potentially vesting and becoming exercisable after the performance period from 1 July 2024 to 30 June 2027. Performance Rights which do not vest will lapse and will not be re-tested. Once vested, Performance Rights may be exercised before their expiry seven years after the date of grant.

It is noted that as Mr Meyerhans is a director of the Company, he is a related party under Listing Rule 10.11.1 and he falls within the category of Listing Rule 10.14.1. The granting of Performance Rights is intended to remunerate or incentivise Mr Meyerhans. Accordingly, for the purposes of Listing Rule 10.15.4, Mr Meyerhans' current total maximum remuneration package for FY25 is \$3,500,000: comprising \$1,000,000 as total fixed remuneration (inclusive of superannuation), and variable remuneration up to \$1,000,000 under the Company's Short Term Incentive plan and \$1,500,000 under the LTIP. Shareholders are referred to the Remuneration Report for further details of Mr Meyerhans' remuneration arrangements.

Performance Rights will vest depending upon the Company meeting or exceeding the relevant performance hurdles during the relevant performance period.

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

- 70% of the Performance Rights are subject to the EPS Hurdle; and
- 30% of the Performance Rights are subject to the TSR Hurdle.

No amount is payable by Mr Meyerhans for the Performance Rights proposed to be issued to him, or for shares issued on exercise of these Performance Rights.

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

There is no loan scheme in relation to the grant of Performance Rights under the LTIP.

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

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

The Plan Rules provide that if a takeover bid is made to acquire all of the issued shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for shares in the Company, the Board may in its discretion determine that the Performance Rights will vest.

The Plan Rules also provide that if there is a bonus issue or equal capital return when the Performance Rights are not vested and exercised, on exercise Mr Meyerhans will be entitled to an additional number of Shares which would have been issued, or an additional cash payment that would have been made to him, if the Performance Right has been exercised prior to the record date. If there is a reorganisation of capital, the terms of the Performance Rights will be amended in accordance with the Listing Rules.

The Board has broad "clawback" powers to determine that all or a specified number of Performance Rights lapse, any shares allocated on vesting are forfeited, or that amounts are to be repaid to the Company, in certain circumstances.

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

Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of any Performance Rights granted under the LTIP (or any shares issued upon their exercise) after the resolution is approved and who were not named in this notice of meeting will not participate until approval is obtained under that rule.

The grant of Performance Rights to Mr Meyerhans will be made no later than 3 years after the date of this meeting.

Mr Meyerhans has previously been granted a total of 1,991,637 Performance Rights under the LTIP, as set out below:

- 742,574 Performance Rights were granted on 30 October 2023, relating to the three year performance period 1 July 2023 to 30 June 2026, as approved by shareholders at the Annual General Meeting on 30 October 2023;
- 707,547 Performance Rights were granted on 28 October 2022, relating to the three year performance period 1 July 2022 to 30 June 2025, as approved by shareholders at the Annual General Meeting on 28 October 2022; and
- 541,516 Performance Rights were granted on 6 December 2021, relating to the three year performance period 1 July 2021 to 30 June 2024, as approved by shareholders at the Annual General Meeting on 29 October 2021.

No amount was or is payable by Mr Meyerhans for these Performance Rights or for shares issued on exercise of these Performance Rights.

Recommendation

The Board (other than Mr Meyerhans who is not entitled to vote) recommends you support the resolution approving the grant of 622,406 Performance Rights to the Managing Director, Mr Urs Meyerhans, under the terms of the GWA Long Term Incentive Plan. None of the directors (other than Mr Meyerhans) has an interest in the outcome of Resolution 3.