

# Notice of Annual General Meeting

Notice is given that the 2013 Annual General Meeting of Adelaide Brighton Ltd (the Company) will be held at the Ballroom, Lower Level, InterContinental, North Terrace, Adelaide, South Australia 5000, on Wednesday 22 May 2013 at 11.00 am Adelaide time, for the purpose of transacting the business set out in this Notice.

## Business

### 1 Financial Report

To receive and consider the financial report of the Company and the reports of the Directors and auditors for the financial year ended 31 December 2012.

*Note: There is no requirement for shareholders to approve these reports.*

**Shareholders will be asked to consider and, if thought fit, to pass the following ordinary resolutions:**

### 2 Re-election of Director

That Mr G F Pettigrew, being a Director of the Company who retires by rotation under rule 7.1(d) of the Company's constitution and, being eligible, is re-elected as a Director of the Company.

### 3 Issue of Awards to the Managing Director

That, for the purposes of ASX Listing Rule 10.14 and section 200B of the *Corporations Act*, approval be given to the grant of 670,920 Awards to Mr M P Chelley, the Managing Director of the Company, under the Adelaide Brighton Executive Performance Share Plan on the terms set out in the Explanatory Notes to this Notice of Annual General Meeting.

### 4 Non-executive Director remuneration

That the maximum aggregate amount of remuneration which may be paid to non-executive Directors in any year under rule 7.3(a) of the Company's constitution be increased by \$200,000 to \$1,300,000 with effect from 1 January 2013.

### 5 2012 Remuneration Report

To adopt the Remuneration Report for the financial year ended 31 December 2012. The Remuneration Report is set out on pages 42 to 52 of the 2012 Annual Report.

By order of the Board  
Marcus Clayton  
Company Secretary

18 April 2013



**Adelaide Brighton Ltd**

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Adelaide, South Australia 5000

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## IMPORTANT

***The laws that apply to voting on resolutions relating to the remuneration of members of the key management personnel (or 'KMP') are complex - relevantly Items 3, 4 and 5. KMP are the Directors of the Company (including the Chairman of the Meeting) and those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The KMP are identified in the Remuneration Report as such.***

***To ensure your vote counts, please read the guidance on voting restrictions and proxy appointment set out over the page.***

## Voting on Items 3 and 4

In accordance with the ASX Listing Rules:

- > the Company will disregard any votes cast on Item 3 by or on behalf of the Managing Director, Mr M P Chellew or his associates;
- > the Company will disregard any votes cast on Item 4 by or on behalf of a Director or their associates.

Except if the votes are cast by any of the persons mentioned above as a proxy for a person who is entitled to vote on the resolution, in accordance with a direction on the proxy form.

Also, the *Corporations Act* provides that a KMP or a closely related party of such KMP cannot cast a vote as a proxy for a person who is entitled to vote on Item 3 and/or Item 4 if the proxy is not directed how to vote on these resolutions on the proxy form.

## Voting on Item 5

The *Corporations Act* provides that a KMP or a closely related party of such KMP cannot cast a vote on Item 5. However, such a person may cast a vote on Item 5 if:

- > the vote is cast as a proxy;
- > the vote is not cast on behalf of a KMP or a closely related party of a KMP; and
- > the proxy is directed how to vote on Item 5 on the proxy form.

## If you appoint the Chairman of the Meeting as your proxy

If you appoint the Chairman of the Meeting as your proxy on Items 3 and/or 5 and the proxy is not directed, you expressly authorise the Chairman to exercise the proxy on Items 3 and/or 5 even if those resolutions are connected, directly or indirectly, with the remuneration of a KMP.

If you appoint the Chairman of the Meeting as your proxy on Item 4 and the proxy is not directed, you must expressly authorise the Chairman to exercise the proxy on Item 4 even if the resolution is connected, directly or indirectly, with the remuneration of a KMP and even if the Chairman has an interest in the outcome of that resolution. You can provide this authorisation by marking the box on the proxy form.

If you do not mark the box on the proxy form to provide this authorisation and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolutions and your proxy will not be counted in calculating required majorities on a poll.

The Chairman of the Meeting intends to vote all available proxies in favour of all resolutions. Please refer to the proxy form for more information.

## Annual Report

Adelaide Brighton Ltd's 2012 Annual Report is now available at [www.adbri.com.au/annualreports.html](http://www.adbri.com.au/annualreports.html)

## Voting Information

- 1 For the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at close of business on Monday 20 May 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.
- 2 A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:
  - > appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001 (Cth)*; and
  - > provides satisfactory evidence of the appointment of its corporate representative.

If such evidence is not received at least 48 hours before the meeting, the body corporate (through its representative) will not be permitted to act as a proxy.

A form of appointment of proxy is enclosed. To be effective, the document appointing the proxy (and a certified copy of the power of attorney, if any, under which it is signed) must be received by the Company at least 48 hours before the meeting. The documents should be lodged with the Company:

- > by delivery, or by mail, to the Company's registered office at Level 1, 157 Grenfell Street, Adelaide, SA 5000; or
- > by facsimile to the Company on (08) 8215 0030 (international +(618) 8215 0030).
- > **Vote online:** shareholders can also cast their votes online at [www.investorvote.com.au](http://www.investorvote.com.au) and follow the prompts. To use this facility you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), postcode and control number as shown on the proxy form. You will have taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.
- > **Custodian voting** - for Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

A shareholder who is 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. Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using the enclosed proxy form, an additional form of proxy is available on request from the Company.

- 3 A proxy may choose whether or not to vote on a show of hands or on a poll. If the proxy chooses to vote, the proxy must vote in accordance with the directions of a shareholder on the proxy form. If the proxy chooses not to vote on a poll, the Chairman of the Meeting must exercise the proxy in accordance with the directions of the shareholder on the proxy form (if any).
- 4 If a shareholder does not indicate on the proxy form the manner in which a proxy is to vote, then the proxy may vote as he thinks fit. Shareholders will be informed of the proxy position and the manner in which the Chairman of the Meeting intends to vote undirected proxies at the meeting (which is also set out in the proxy form).
- 5 A representative of a company attending the meeting must present satisfactory evidence of his or her appointment to attend on its behalf, unless previously lodged with the Company.
- 6 Please refer to other notes appearing on the enclosed proxy form.

## Explanatory notes to shareholders

### Item 2: Re-election of Director

Mr Graeme Pettigrew *FPNA, FAIM, FAICD*

Mr Pettigrew, 64 years of age, joined the Board as an independent non-executive Director in August 2004. He is Chair of the Audit, Risk and Compliance Committee and a member of the Safety, Health and Environment Committee, Nomination and Remuneration Committee and Independent Directors' Committee.

Mr Pettigrew has extensive experience in the building materials industry and previously held the position of Chief Executive Officer of CSR Building Products. He has broad management experience gained in South East Asia and the United Kingdom through his former positions as Managing Director of Chubb Australia Limited and Wormald Security Australia Pty Ltd. Mr Pettigrew is a Director of Bisalloy Steel Group Ltd and Capral Limited.

The Board has reviewed the performance of Mr Pettigrew and confirmed its support for his re-election as an independent Director of the Company.

### Item 3: Issue of Awards to the Managing Director

#### Overview of grant of 2013 Awards

This year, having instituted the change to making an annual grant of long term incentive Awards for all senior executives, it is proposed that a grant of Awards be made in the 2013 financial year to the Managing Director, Mr Mark Chellew pursuant to the Adelaide Brighton Executive Performance Share Plan (Plan).

Last year, shareholders approved a grant of Awards to Mr Chellew in two tranches with vesting dates in May 2015 and May 2016 respectively.

This year's Awards will have a four year performance period over the period 1 January 2013 to 31 December 2016, with testing of the performance conditions and vesting available in May 2017.

#### **Why is shareholder approval required?**

Under ASX Listing Rule 10.14, shareholder approval is required for securities to be granted to the Managing Director under an employee incentive scheme.

Approval is also sought under section 200B of the *Corporations Act* for the pro rata vesting of Awards granted to Mr Chellew upon cessation of his employment in circumstances other than where he resigns or the Company terminates his employment for cause. This approval is sought on a voluntary basis, as the treatment of Awards upon cessation of Mr Chellew's employment is dealt with under his service agreement, which pre-dates the changes to the termination payments provisions of the *Corporations Act*. It is, however, being presented to shareholders in the interests of good governance.

Details of Mr Chellew's remuneration package for the 2012 financial year are set out in the Remuneration Report on pages 42 to 52 of the Annual Report. The Board has set Mr Chellew's remuneration in accordance with the Company's remuneration policy (which is detailed in the Remuneration Report) and having regard to the outstanding returns that the Company and its shareholders have enjoyed over the period Mr Chellew has been Managing Director. During this time the Company's Total Shareholder Return (TSR) has placed the Company in the top quartile of the companies in the S&P/ASX200, demonstrating the growth in shareholder value during Mr Chellew's term as Managing Director.

The Board considers that it is important that the remuneration of the Managing Director and members of the senior executive team, including any long term incentive, be on the same terms to ensure a co-ordinated and consistent effort to achieving the Company's goals. Following the meeting, the Company will issue Awards to members of the senior executive team on similar terms to those proposed for Mr Chellew. The key terms of the proposed grant of Awards to the Managing Director in respect of the 2013 Awards is set out to the right. An overview of the Plan can be found on pages 48 and 49 of the Remuneration Report.

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|---|--|
| Number of Awards allocated  | If approval is obtained, Mr Chellew will be issued with 670,920 Awards (at no cost to Mr Chellew) under the Plan. This represents the long term incentive component of his 2013 remuneration package.<br>The number of Awards to be allocated to Mr Chellew was determined by dividing 120% of his fixed annual remuneration (being his maximum annual participation level in the Plan) by \$3.11, being the volume weighted average price of the Company's shares over the 3 month period to 31 December 2012.<br>Each Award is a right to one fully paid ordinary share in the Company.  |
| Date of grant   | If shareholder approval is obtained, the Awards will be formally granted to Mr Chellew no later than one month after the date of the meeting.  |
| Performance period and vesting                                    | The Awards are subject to a four year performance period, commencing on 1 January 2013 (which is the effective grant date) and ending on 31 December 2016.<br>Any Awards which do not vest following testing of the performance hurdles at the end of the performance period will lapse.<br>The earliest exercise date for those Awards which vest after the end of the performance period is 1 May 2017. Any vested but unexercised Awards will expire on 30 September 2018.  |
| Performance hurdles   | The Awards are subject to two performance hurdles which are independent and tested separately. The Board considers these performance hurdles to be appropriate as they link a proportion of Mr Chellew's remuneration to Company performance and the generation of shareholder value.<br><b>Total Shareholder Return (TSR) hurdle</b><br>50% of the Awards are subject to the TSR hurdle.<br>This hurdle requires the Company's total shareholder return over the performance period to equal or exceed the growth in the median company of the S&P/ASX 200 Accumulation Index (excluding all GICS Financial companies and BHP Billiton, Rio Tinto and Newcrest Mining). No Awards will vest if the Company's TSR performance over the performance period is less than the 50th percentile. If performance is at the 50th percentile, then 50% of Awards will vest. Full vesting will occur at the 75th percentile, with pro rata vesting on a straight line basis between these points.<br><b>Earnings Per Share (EPS) hurdle</b><br>50% of Awards are subject to the EPS hurdle.<br>The EPS hurdle measures the compound annual growth in the Company's earnings per share (as disclosed in the audited accounts) over the period from 31 December 2013 (ie. the base year) to the end of the 2016 financial year.<br>The target growth rate over the performance period for 50% vesting is 5% per annum compound annual growth, with full vesting occurring where the growth rate equals or exceeds 10% per annum compound. The Awards vest on a straight line basis between these points. The Board considers it appropriate to maintain the target and stretch growth rates determined for the 2012 Awards (that were granted in May 2012) having regard to the ongoing uncertainty in the building and construction market. The Board will review the target and stretch growth rates on an annual basis in the context of future annual grants of Awards. |
| Trading restrictions  | Vested Awards may be exercised at any time prior to 30 September 2018. Shares allocated on exercise of an Award are subject to the restrictions in the Company's share trading policy.   |
| Price payable on grant or exercise of Awards                      | No amount is payable in respect of the grant, or upon vesting or exercise, of Awards.  |
| Cessation of employment   | If Mr Chellew ceases employment with the Company before the end of the performance period, his Award entitlements (if any) will depend on the circumstances of cessation. All unvested Awards lapse if Mr Chellew resigns or is terminated by the Company for cause. If his employment otherwise terminates before 1 May 2017, in accordance with the terms of his service agreement the Awards vest on a pro rata basis determined by reference to the portion of the performance period elapsed at the date of cessation. Any Awards that vest are able to be exercised for six months post termination, after which time they will lapse.   |
| Other required information - ASX Listing Rules                    | Mr Chellew is the only Director of the Company entitled to participate in the Plan. Following shareholder approval granted on 17 May 2012, 1,456,648 Awards were granted to Mr Chellew. Since this approval, no other Awards have been made under the Plan to Mr Chellew.  |
| Other required information - section 200E <i>Corporations Act</i> | The potential future value of Awards which may vest upon cessation of employment cannot currently be ascertained, as this benefit is dependent upon the number of Awards that vest at the time of cessation of employment, which will depend upon the portion of the performance period that has elapsed at the time employment ceases.  |

The Board (excluding Mr Chellew) recommends that shareholders vote in favour of Item 3.

#### **Item 4: Non-executive Director remuneration**

The Board seeks shareholder approval for an increase of \$200,000 in the total annual remuneration pool for non-executive Directors to \$1,300,000 (inclusive of statutory entitlements) with effect from 1 January 2013. Fees paid to non-executive Directors are currently subject to a maximum pool of \$1,100,000 which was approved by shareholders at the 2010 Annual General Meeting.

In accordance with ASX Listing Rule 10.17 and rule 7.3(a) of the Company's constitution, a proposed increase in the total remuneration pool for non-executive Directors requires shareholder approval. Board and Committee fees and also superannuation contributions made on behalf of the non-executive Directors are included in this total remuneration pool. The remuneration pool does not include remuneration paid to Mr M P Chellew, as he is an executive Director.

Fees for non-executive Directors are set at a level to attract and retain high calibre Directors who have the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, issues pertaining to Adelaide Brighton's business. When setting fee rates, the Board also takes into account factors such as external market data on fees, the size and complexity of the Company's operations and the workload and demands placed on the non-executive Directors as Board and Committee members.

Details of the fees paid to non-executive Directors' are disclosed on page 52 of the Annual Report, with the total amount of fees paid to non-executive Directors for the financial year ended 31 December 2012 being \$906,572. Non-executive Director base fees were increased by approximately 2% and the Chairman's fee increased 3.9% for the 2012 financial year, to be in line with market median rates.

The Board believes that the proposed increase to the remuneration pool of \$200,000 is appropriate to provide sufficient scope for the Board to recruit a new non-executive Director, within the maximum pool, as part of the Board's ongoing renewal process. This increase will also give further flexibility by allowing future adjustments to the annual fees payable to non-executive Directors, where required, to ensure our Director fees are competitive with those paid by comparable companies (to attract and retain appropriately qualified Directors).

Increasing the remuneration pool will not result in the whole of that amount being used in the 2013 financial year.

#### **Item 5: Adoption of 2012 Remuneration Report - non-binding advisory vote**

As required by the *Corporations Act*, the Board is presenting the Company's Remuneration Report for the financial year ended 31 December 2012 to shareholders for consideration and adoption by a non-binding advisory vote. The Remuneration Report, which details the Company's policy on the remuneration of non-executive Directors, the Managing Director and senior executives, is set out on pages 42 to 52 of the 2012 Annual Report.

The Remuneration Report explains how the Company's performance has driven the following remuneration outcomes for the 2012 financial year:

- > the Managing Director's fixed remuneration was determined at \$1.68 million per annum effective from 1 January 2012. (A review during the latter half of 2012 has resulted in a 3.5% adjustment to the fixed remuneration of all senior executives and the Managing Director, being agreed with effect from 1 January 2013);
- > as indicated last year, the Board has transitioned to making annual grants of long term incentive Awards to senior executives from 2013 (as previously the Board would grant three years' worth of long term incentive Awards every three years). Details of the 2013 grant is set out in relation to Item 3 above;
- > the Managing Director and senior executives satisfied the financial component of the performance conditions applicable to the 2012 Short Term Incentive (STI), following a strong performance where 110% of budgeted net profit before tax was achieved; and
- > Tranche 1 of the 2010 Awards under the Executive Performance Share Plan were tested during 2012 and vested at 99.3%, based on performance against the TSR performance condition and the EPS performance condition, each over the period 1 January 2010 to 31 December 2012.

The Board believes the Remuneration Report confirms the strong link between executive reward, corporate performance and growth in shareholder value. The financial performance exceeded the annual financial targets set by the Board, with the Group attaining a record net profit of \$154.2 million for the 2012 financial year. The Board believes that the level of executive remuneration and rewards outlined in this report should be considered in light of the sustained outperformance against the market enjoyed by long term shareholders in Adelaide Brighton Limited.

The vote on Item 5 to adopt the Remuneration Report relates to the Company's remuneration policy and outcomes for the 2012 financial year (even though the Remuneration Report provides some additional information on remuneration developments for 2013). The vote on this resolution is advisory only and does not bind the Directors or the Company. Nevertheless, there will be a reasonable opportunity for discussion of the Remuneration Report at the meeting, and the Board will take into account this discussion and the outcome of the vote on this resolution when considering the future remuneration arrangements of the Company.

Shareholders should note that the result of the vote on this resolution may impact the voting process at the Annual General Meeting next year. If 25% or more of the votes cast on this resolution are against the adoption of the 2012 Remuneration Report, this will be considered the 'first-strike'. If a 'second strike' is cast against the 2013 Remuneration Report at next year's Annual General Meeting, this will trigger a vote on a resolution to spill the Board. Consequently, the Directors may need to stand for re-election.

The Board, therefore, encourages shareholders to apply the same level of diligence in relation to voting on this resolution as they do with the binding resolutions.

The Board recommends that shareholders vote in favour of Item 5.