2016 ANNUAL GENERAL MEETING
THURSDAY, 3 NOVEMBER 2016

Remuneration & Nomination Committee Chairman's Address

by Kathryn Fagg

Good morning ladies and gentlemen.

It is always pleasing to be able to report a successful year. And 2016 has been a successful year for Boral, with continued improvement in the Group's financial performance.

In turn, this has led to good outcomes for executives when it comes to short- and long-term incentives, including for the Chief Executive Officer, Mike Kane.

The details on remuneration outcomes for our executives, the remuneration elements and the governance framework used to determine those outcomes are detailed in the Remuneration Report, along with the fees paid to Non-executive Directors.

I want to take this opportunity then, to provide shareholders with a brief update on the activities of the Remuneration & Nomination Committee over the past 12 months.

REMUNERATION REVIEW

In 2016, we did not make any significant or material changes to our remuneration framework.

However, as indicated in last year's Remuneration Report, a one-off targeted retention plan was introduced to ensure stable leadership and continuity of Boral's business transformation initiatives, and the details of this plan are included in this year's Report.

We provided the one-off targeted retention incentives or TRI to eight of our key executives, excluding the CEO, in September 2015, comprising a grant of performance rights. The executive must still be working for Boral at the end of year three to receive any benefit.

The decision to introduce the one-off TRI was taken after losing two senior executives to competitors and in the context of the Board becoming aware of recruitment attempts of our top talent by competitors.

In addition, we are investing in these eight executives through the retention incentives together with a multi-year personalised development program, in order to develop and maintain a strong pool of potential internal candidates for senior level succession including CEO succession. While internal succession development is a key focus for us, we note that we expect Mike Kane to remain as CEO for another three to five years.

We have heard the views of the proxy advisors this year and we agree that TRIs should not be an embedded practice. However after careful deliberation, we believe these one-off incentives were the right thing for us to do under these circumstances, and assure shareholders that this was a one-off grant – there were no retention grants made in September 2016 and there will be no retention grants in the coming year.

REMUNERATION ARRANGEMENTS

Overall, our executive remuneration mix is a combination of fixed salary and at risk reward, which are based on the Group's performance in the short-term and the long-term.

For example, at the CEO level, we target one-third of the package to be delivered in fixed remuneration, one-third in short term incentives (STI) and one-third in long-term incentives (LTI).

Fixed remuneration continues to be benchmarked to the median of a comparator group of

In FY2016, the STI scheme continued to deliver the award in two lots: 80 per cent in cash and 20 per cent deferred into equity for two years.

As we said previously, we are of the view that this deferral encourages sustained performance through the building cycle, further supports retention of our most able and committed executives, and encourages our senior leaders to take greater ownership of their responsibilities.

One added advantage – and one we hope we never have to use – is the fact that deferral provides a safety provision, in case we ever need to clawback remuneration as a result of fraud, dishonesty, breach of employment obligations or any material misstatement in Boral's financial reports.

Turning now to the **long-term incentive plan**. We continue to deliver these incentives as

ALIGNMENT BETWEEN EXECUTIVE AND SHAREHOLDER INTERESTS

For the past two years we have set aside 20 per cent of all STI awards into equity, for a

The increase in the value of these share-based payments is largely as a result of the impact of our earlier changes to LTI. This is reflected in higher amortisation of LTIs due to shorter vesting periods. In addition, the deferred STI component has now built up three years of amortisation, rather than two.