2017 ANNUAL GENERAL MEETING THURSDAY, 2

FY2017 PERFORMANCE AND REMUNERATION OUTCOMES

Let me now turn to performance and outcomes for FY2017.

Boral has continued to deliver strong financial improvements and solid returns for shareholders. As a result, the STI and LTI outcomes for executives have been good.

Boralq Å $a^{|} \tilde{q}$ EBIT for FY2017 of \$460 million was \$62 million, or 16%, above the prior year. Excluding Headwaters, EBIT increased by \$34 million or 9%. This is the measure we use for **short-term incentives** although, as indicated earlier, we excluded the \$28 million contribution from Headwaters.

Significant items . whether positive or negative . are excluded from our calculation of EBIT for remuneration purposes to align the underlying performance of the business with the rewards received by our leadership team.

U^{*} $\{ \hat{A} \notin \hat{A} \notin \hat{A} \in \hat{A} \} \circ$ are determined by a mix of EBIT at divisional and Group level. On average, 103.7% of target STI was paid out to senior executives, meaning the results delivered were slightly ahead of our targeted performance. Consistent with previous years, 20% of the STI was deferred into equity for two years and 80% The Remuneration Report shows two ROFE numbers for FY2017:

The 7.6% ROFE calculation reflects the full impact of the Headwaters acquisition. However, this meant only eight weeks of EBIT while funds employed increased from \$4.4 billion to \$7.9 billion over the year.

The 9.2% ROFE is based on an average monthly funds employed basis for the year to better reflect that timing impact.

As I noted earlier, the existing targets for FY2018 and FY2019 have not been adjusted despite the dampening effect of the Headwaters acquisition in the early years.

The target set for the FY2018 LTI grant is contingent on a demanding ROFE target of 12.5% being reached in FY2020.

Now let me comment on those LTIs that did vest during the year.

The 2013 LTI was tested during the year, with 98 per cent of the LTI vesting based on our TSR performance being at the 73rd percentile of the ASX 100 comparator group and achievement of the stretch ROFE target. This was the first LTI grant subject to the three year testing and two-third / one-third TSR and

CLOSING COMMENTS

Before handing back to the Chairman, let me make some final comments.

I have talked about the financial metrics of EBIT and ROFE as well as TSR that underpin our executive incentives. We use these metrics because they create a clear performance focus for senior executives, and they are relevant and transparent for shareholders.

Non-financial measures, including safety, are not a feature of the incentive schemes, but this is not to diminish the importance of matters such as safety. In fact, managing safety well is $\{ \ \hat{a} = \hat{a}^{+} \hat{a} = \hat{a}$

Importantly, the Board retains discretion to adjust the STI outcomes to ensure consistency \tilde{a}_{0} \tilde{a}_{0} \tilde{a}_{1} $\tilde{a}_{$

The Board also has minimum shareholding guidelines to encourage Non-executive Directors to invest in the Group. Again, Directors are all exceeding these minimum guidelines.

The Committee believes that our remuneration practices are sound and competitive; and that the changes we have made are rewarding executives for creating sustainable shareholder value.

I thank you for your continuing support and commend the 2017