

2020 ANNUAL GENERAL MEETING
TUESDAY, 27 OCTOBER 2020

Chairman's Address

by Kathryn Fagg

Good morning ladies and gentlemen.

I appreciate you joining us for Boral's 2020 Annual General Meeting, my third AGM as Boral's Chairman.

SAFETY PERFORMANCE

Boral's safety performance has improved significantly in recent years and with a recordable injury frequency rate (RIFR¹) of 7.6 in FY2020, our results held steady.

The focus of Boral's people on health and safety and their commitment to delivering a culture of Zero Harm remains as our highest priority.

FY2020 FINANCIAL RESULTS

Looking at Boral's FY2020 financial results. Sales revenue from continuing operations of \$5.67 billion was down 1% in FY2020. This includes a 5% reduction in revenue from Boral Australia. The revenue from Boral North America was down 2% in US dollars – although due to favourable exchange rate movements this translated to a 5% increase in revenue in our accounts.

While revenue from USG Boral does not appear in Boral's Group revenue due to joint venture equity accounting, the underlying revenue in the USG Boral joint venture was down 8%.

Earnings in each division were down more substantially. Boral Australia EBITDA declined 25% on a comparable basis, EBITDA from Boral North America fell 28% and in the joint venture, underlying EBITDA was 25% lower.

Higher costs, lower margins and COVID-related production slowdowns and disruptions impacted results in all three divisions.

We made the decision to not pay a final dividend because of the significant uncertainty around earnings and the need to prudently manage the balance sheet. The decision was taken in the context of Boral's interim dividend representing about 63% of full year earnings, which is in line with Boral's dividend policy to pay 50% to 70% of earnings before significant items, subject to the company's financial position.

We maintained strong liquidity during the period, with Boral's net debt as at 30 June 2020 of \$2.2 billion, steady on the prior year.

Zlatko will talk more about Boral's balance sheet and will also provide a first quarter trading update.

CEO SUCCESSION & BOARD RENEWAL

In recent months, Boral's Board and management renewal has been substantial.

On 15 June, after a comprehensive search, we announced that Zlatko Todorcevski had been appointed as CEO & Managing Director, effective 1 July 2020.

Zlatko's appointment has proven to be outstanding and has been well-received by our people, our customers and our investors. Zlatko has a strong track record as a senior executive and also has recent non-executive director experience including as Chairman of Adelaide Brighton and on the boards of Coles and Star Entertainment Group. He has now transitioned off these boards and is focused completely on Boral.

More recently we have appointed a new Chief Finance & Strategy Officer, Tino La Spina, effective 14 October 2020. Tino is also a highly credentialed executive with deep financial, strategic and operational capability.

We are also undertaking substantial Board renewal. We delivered on our plans to recruit two new directors with deep industry experience and finance capability, with the appointments of Rob Sindel and Deborah O'Toole, respectively, effective late September.

Rob Sindel brings to the Board deep operational experience in building and construction materials and Deborah O'Toole has extensive executive experience and finance capability including as a former CFO in three ASX-listed companies.

We announced that with Seven Group Holdings owning 19.98% of Boral's shares, the Board considers a level of proportionate representation on the Board appropriate, subject always to the nominees being of a suitable calibre. Ryan Stokes and Richard Richards were nominated to the Board as nominees of Seven Group, which the Board considered appropriate, as both Ryan and Richard have experience suitable for Directors and add to the skills and capability of the Board. However, Seven Group has withdrawn its nomination of Richard Richards for election by shareholders as a director.

To ensure Boral's position is protected we have put in place a Board Information Sharing and

On behalf of my fellow directors and shareholders, I thank both John and Eileen for their substantial contribution to Boral over the past 10 to 11 years, including as respective Chairs of the Remuneration & Nomination Committee and the Health, Safety & Environment Committee of the Board. We wish both John and Eileen all the very best.

Paul Rayner is standing for re-election at today's AGM and he will facilitate a smooth transition of the chairmanship of the Audit & Risk Committee in the months ahead. Paul is expected to retire during this next term of office.

I am also standing for re-election today, after two years as Boral's Chairman. I have been requested by the Board and I have agreed to stand for re-election to support leadership stability during this period of renewal, on the basis that I will retire and there will be an orderly transition to a new Chairman in 2021.

PORTFOLIO REVIEW AND REVIEW OF THE HEADWATERS ACQUISITION

Earlier today we announced to the market the outcomes of our portfolio review, and specifically that we have reached agreement to sell our 50% share of USG Boral to our joint venture partner Knauf for an attractive price of US\$1.015 billion, subject to typical conditions precedent including in relation to regulatory matters.

Zlatko will provide further detail around the transaction and the portfolio review.

But let me talk specifically about the Headwaters acquisition, which we made in May 2017 and which has failed to meet our expectations and those of our shareholders.

Acknowledging the underperformance, we have reviewed the Headwaters acquisition in very close detail, including engaging external advisors to undertake a review for us.

The external review concluded there was a sound strategic rationale for the acquisition of the Headwaters business, and that a thorough due diligence exercise was undertaken. However, the price paid for Headwaters was full and allowed little margin of safety for the risk of disappointing market volumes and other downside risks, as have since transpired. The lack of risk margin in the acquisition price paid has been compounded by mixed post-acquisition execution, notwithstanding the strong realisation of synergies.

The Board has taken actions including leadership changes in the business, CEO succession and Board renewal. And of course, the portfolio review has been undertaken.

Through the portfolio review, opportunities for value creation have been identified and these are being pursued. Zlatko will cover these in his address.

Finally, let me talk about how we are building sustainability for our company for the long-term.

BUILDING A SUSTAINABLE BUSINESS FOR THE LONG-TERM

During FY2020, we continued to progress towards the adoption of science-based carbon emission reduction targets and full alignment with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), including further scenario analysis work. Boral's Scope 1 and 2 greenhouse gas emissions reduced by 8% to 2.2 million tonnes CO₂-e in FY2020 and our emissions intensity reduced by 6%, largely reflecting lower production volumes.