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2020 ANNUAL GENERAL MEETING

WEDNESDAY, 27 OCTOBER 2020

Chairman of the Remuneration & Nomination Committee Address

by John Marlay

Thankyou Chairman, and good morning ladies and gentlemen.

My name is John Marlay and I am a Non-executive Director of Boral Limited and the Chairman of the Remuneration & Nomination Committee.

The Committee currently consists of Peter Alexander, Ryan Stokes and Rob Sindel. Rob will take over as Chairman following my retirement at the end of today's meeting.

The Committee is responsible for making recommendations to the Board in relation to suitable candidates and remuneration.

As already noted by the Chairman, CEO renewal was brought forward with the appointment of Zlatko Todorcevski as Boral's new CEO & Managing Director from 1 July 2020.

In FY2020, the Committee was focused on CEO succession, Board renewal and responding to changing business circumstances, particularly in terms of the impact of the COVID-19 pandemic.

The Committee listened to shareholders' views and made firm decisions around remuneration outcomes.

My address today covers four key areas that I think are important to highlight to you. They are:

- Key remuneration outcomes for FY2020 including Boral's response to COVID
- the remuneration structure of Zlatko Todorcevski
- Mike Kane's leaving arrangements, and
- refinements made to Boral's remuneration framework going forward.

I will also touch on Kathryn Fagg's re-election as Chairman.

FY2020 REMUNERATION OUTCOMES AND RESPONSE TO COVID-19

Boral's FY2020 results reflect a particularly challenging year.

While STI opportunities were foregone at the start of the COVID-19 pandemic, no STIs would have been received as FY2020 results were well below budget.

Long-term incentive hurdles, based on Total Shareholder Returns and Return on Funds Employed, were also not met this year.

To manage through the COVID challenges we took several additional steps in relation to remuneration. These included a freeze of executive and employee salaries from the start of COVID-19 and continuing in FY2021, with the next salary review to be in September 2021. We also have a freeze on Non-executive Director fees.

In addition, the existing STI plan for executives was suspended in FY2021 recognising the challenges and uncertainty with which we are operating. This may be reassessed if conditions and performance improves.

For businesses more directly affected by slowdown or temporary closures, in consultation with our people, we amended roster patterns, temporarily reduced working hours, and temporarily stood down employees (also known as furloughing in North America).

We also supported and assisted our people with pandemic leave and access to untaken leave where employees were working reduced hours. Remote and flexible working arrangements, particularly for vulnerable workers were also made available.

REMUNERATION STRUCTURE OF ZLATKO TODORCEVSKI

Turning to the incoming CEO’s remuneration structure.

The new CEO’s remuneration structure is intended to recognise and reward the decisions and actions that need to be taken to reset and reshape our business.

Zlatko’s initial fixed annual remuneration of A$1,900,000, is delivered as 92% in cash and 8% in the form of Boral equity.

Overall, 70% of the incoming CEO’s remuneration is provided as ‘at risk’ remuneration, with the FY2021 remuneration structure focusing on a long-term incentive opportunity but no short-term incentive award.

Short-term performance will be evaluated through objectives and performance outcomes to be agreed between Zlatko and the Board. These will be disclosed in the FY2021 Remuneration Report.

The performance hurdles for the CEO’s FY2021 LTI grant will be a combination of return on funds employed (ROFE) relative to WACC and relative Total Shareholder Returns (TSR).

The LTI is subject to a single performance test after three years, with any vested equity for the CEO subject to a further 12 month holding lock or equivalent, except where the sale of shares is required to meet tax obligations.

From FY2022, with the benefit of the portfolio review decisions taken, we will consider whether a more traditional remuneration structure is appropriate, incorporating a short-term incentive. Long-term incentive performance hurdles are expected to also include a measure based on strategic transformation and other potential objectives.

MIKE KANE’S LEAVING ARRANGEMENTS

Mike Kane stood down as CEO on 30 June 2020. His leaving arrangements were consistent with the disclosed terms of his employment agreement and equity plan rules disclosures.

In line with the terms of the employment contract, a separation payment equivalent to 12-month Base Cash Salary was paid.

The Board made a subsequent decision to lapse the retiring CEO’s LTI awards in full.

Furthermore, under Boral's equity incentive plan rules, the Board exercised discretion to lapse the component of unvested deferred FY2018 STI rights that corresponded with the overstatement of Windows earnings in the relevant period. This ensured that no unfair or inappropriate benefit was provided. This applied to the retiring CEO and all other executives in the STI plan.

REFINEMENTS TO BORAL'S REMUNERATION FRAMEWORK

Our incentive plans are structured to align with shareholder returns and delivery of our vision for Boral and our growth plans.

We have refined our approach to strengthen that alignment in three specific areas.

1. Given the volatility of Boral's share price and other factors, we changed the basis of the share price calculation to determine the equity and LTI allocation for FY2021. We replaced the 5-day volume weighted average price to 1 September, with a 12-month VWAP to 30 June 2020.

   The allocation methodology for the fixed equity grant to the CEO will be on the same basis. For the FY2021 grants, the VWAP of Boral shares on the ASX during the 12-month trading period to 30 June 2020 is $3.8010.

2. We have introduced a new LTI vesting schedule to be adopted for ROFE performance metric for the FY2021 LTI grant, which is highlighted on the slide. The Board determined that the 'cliff' of allowing 50% vesting at threshold could be better aligned with the overall aim of rewarding incremental performance above WACC.

3. And finally, we have changed the way we treat property earnings in determining STI and LTI outcomes. From FY2021, the STI plan will exclude Property contribution to EBIT, and the LTI plan will reference an average property outcome over a 3-year period to reduce volatility.

Thank you ladies and gentlemen for your attention. I will now hand back to the Chairman.

John Marlay