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2019 ANNUAL GENERAL MEETING WEDNESDAY, 6 NOVEMBER 2019

Chairman of the Remuneration & Nomination Committee Address

by John Marlay

Thank you 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 consists of three independent directors. On behalf of the Board, it is responsible for setting Boral's remuneration strategy, and planning CEO and executive succession.

As already noted by the Chairman, we take the alignment between our executive remuneration outcomes and shareholder value very seriously. In forming our remuneration strategy, the Board listens very carefully to shareholder feedback. We also consider stakeholder expectations in relation to executive remuneration.

My address today will focus on the following areas:

- Boral's Long-Term Incentive plan and Return on Funds Employed performance hurdle
- Safety and remuneration
- Foreign exchange translation impacts on CEO remuneration which is paid in US dollars, and
- Key remunerations outcomes for FY2019.

The Chairman has addressed CEO and executive succession earlier in the meeting.

LONG TERM INCENTIVES AND RETURN ON FUNDS EMPLOYED PERFORMANCE HURDLE

Boral's key strategic objective is to deliver superior shareholder returns through the cycle – or more specifically, returns that exceed the cost of capital through the cycle.

Our senior executives are focused on clear strategic priorities for each division. These priorities were underpinned by the following objectives in FY2019:

- deliver Zero Harm, performance excellence and improvement initiatives
- deliver year two synergies from the integration of the Headwaters business into Boral North America
- maintain and strengthen Boral's leading position in Australia
- progress strategic growth opportunities to create value and leverage innovation-based growth in USG Boral, and
- deliver strong cash flows and maintain a prudent balance sheet to support growth and deliver value.

Boral's executive remuneration policy is intended to focus executives on business plan delivery and, in doing so, create shareholder value.

Executives are incentivised to achieve financial objectives through short- and long-term incentives. They are motivated to achieve safety, environmental and other objectives because it is a well understood requirement of their role at Boral.

There have been no major adjustments to our remuneration framework this year. The Committee has been focused on ensuring that the Company's Short Term Incentive and Long Term Incentive plans continue to recognise and achieve the appropriate balance for both executives and shareholders.

As outlined at the 2018 AGM, Boral reviewed whether Return on Funds Employed, (also known as ROFE) continued to be the most appropriate measure and whether this measure aligned to the future needs of the business.

While the Board concluded that ROFE remained an appropriate measure, we noted that ROFE targets could be more explicitly aligned with Boral's objective to deliver returns that exceed the weighted average cost of capital – commonly referred to as WACC.

ROFE targets are now set relative to WACC and the target vesting range was also broadened. This directly incentivises executives to deliver returns exceeding WACC through market cycles.

ROFE targets for grants prior to FY2019 were not adjusted.

SAFETY AND REMUNERATION

At Boral, safety is considered so fundamentally important that there is a strong belief that safety should not be financially rewarded and therefore should not be a component of remuneration incentives.

This is a powerful aspect of Boral's culture. After considering the cultural aspects and performance outcomes, the Board remains of the view that this is the right approach for Boral.

I echo the Chairman's comments. Managing safety well is considered a fundamental part of everyone's role at Boral. Safety is taken into consideration in performance reviews and performance management. The Board continues to examine Boral's track record in taking appropriate responsive action, including terminating employment for poor safety management and safety breaches.

In FY2019, 30 employees, including managers and supervisors, in various roles across Australia and North America had their employment terminated or exited the business because of a breach of safety standards and protocols, including poor management of safety.

The combination of strengthened safety culture and performance management is considered the right approach for Boral.

FOREIGN EXCHANGE TRANSLATION IMPACTS ON CEO REMUNERATION

On 1 July 2017, the CEO's remuneration arrangements were restructured to reflect Mike Kane spending approximately half of his time in the USA, following the completion of the Headwaters acquisition. Under the new arrangements, the CEO's remuneration is paid in US dollars as base cash salary, with Short Term Incentive and Long Term Incentive opportunities calculated as a percentage of his base cash salary.

In FY2019, the CEO was awarded a 3% increase, to his US dollar base cash salary to US\$1.338 million, which took effect from 1 September 2018. The exchange rate used to convert the CEO's US dollar base cash salary to Australian dollars in FY2019 is 8% less than the exchange rate used in FY2018.

The effect of this change in foreign exchange translation between the Australian dollar and US dollar is that it appears the CEO's base cash salary has increased by more than 3%. This is not the case.

REMUNERATION OUTCOMES

The business delivered a solid performance as demonstrated by a 2% increase in EBITDA from continuing operations.

However, when we set our budgets and remuneration targets at the start of the year, we were expecting higher earnings growth.

Our sector has faced stronger than expected headwinds, including:

- cyclical housing downturns in Australia and South Korea
- volume delays due to several infrastructure project disruptions in Australia, and
- extreme rainfalls in the US, coupled with a pause in the US housing recovery.

As a consequence of our results being below where we had expected them to be at the beginning of the year, most executives including our CEO and Group President Ventures & CFO, and most of their teams received zero short-term incentive payments for FY2019.

Long-term incentive hurdles, based on Total Shareholder Returns and Return on Funds Employed, were also not met this year. Boral along with most other stocks in the materials sector in Australia, experienced significant share price pressures due to cyclical downturns and uncertainty.

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

The remuneration outcomes for FY2019, do demonstrate alignment between executive pay and shareholder value.

Thank you ladies and gentlemen.

John Marlay