



US Acquisition Pays Off

Company/ASX Code	Boral Limited/BLD
AGM date	Tuesday 30 October 2018
Time and location	10.30 am Civic Pavilion, The Concourse, Chatswood, Sydney
Registry	Link Market Services Ltd
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Ian Anderson
Pre AGM Meeting?	Yes with Chair Kathryn Fagg, Company Secretary Dominic Millgate and Group Communications and Investor Relations Director, Kylie Fitzgerald.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Financial performance

Boral completed a year of solid financial performance capitalising on the near doubling in size of the company following the acquisition of Headwaters Inc in the USA. Integration synergies of US \$39M exceeded the initial target of US\$30-35M in the first year and the four year target has now been increased by 15% to US\$115M.

Statutory profit increased 49% to \$441M with all divisions contributing strongly. Full year dividend increased 10% to 26.5cents although this was not reflected in the share price which fell over the year resulting in the overall total shareholder return (TSR) for the year being negative 2.9%. Directors expect growth in all divisions during 2019 financial year (FY1)9 with North America contributing strongly and the Australian market supported by continuing infrastructure development.

Key events

FY2018 has been a year of consolidation following the Headwaters acquisition in May 2017 with no major restructures, acquisitions or capital raisings.

Governance and culture

Boral has a strong governance structure with a good mix of skills at board level. With the expansion of the company overseas the board has recognised the need for overseas directors and is currently seeking a director with experience in Asia.

Key Board or senior management changes

Chair Brian Clark retired early from the position as Chair at the end of June 2018 and was replaced by Kathryn Fagg who has been a non-executive director for four years. Brian Clark's retirement had been foreshadowed to occur at the end of his current term in 2020 but was brought forward for health reasons. Catherine Brenner who has been a director since 2010 retires by rotation and will not seek re-election.

North America based Peter Alexander has been appointed a director as from 1 September 2018 and will seek election at the AGM.

ASA focus issues

Boral comply with all ASA focus issues having more than 30% female directors and all directors holding shares at least equivalent to one year's fees. The report provides good disclosure of a well-structured remuneration arrangement which includes two thirds of LTI based on relative TSR.

Summary

(As at FYE)	2018	2017	2016	2015
NPAT (\$m)	441	297.0	256.0	257.0
UPAT (\$m)	473	343.0	268.0	249.2
Share price (\$)	6.53	6.95	6.22	5.85
Dividend (cents)	26.5	24.0	22.5	18
TSR (%) ¹	6.7	23.4	11.7	19.8
TSR (%)	-2.9	24.5	10.3	14.8
EPS (cents)	40.4	33.7	33.3	29.7
CEO total remuneration, actual (\$m)	6.593	9.788	7.791	3.970

¹ including effect of franking as reported by Boral ² excluding effect of franking as reported by Morningstar - Boral bases its TSR calculations on 60 day trading averages rather than year-end opening and closing values which accounts for the major part of the difference between TSR reported by Boral and Morningstar.

For FY 2018, the CEO's total actual remuneration was 76.82 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2018 data from the Australian Bureau of Statistics).

Item 2.1	Election of Peter Alexander as a Director
ASA Vote	For

With the expansion of the business in North America, Boral have identified a need to widen the experience of the board and appointed its first North America based director effective from September 2018.

Peter Alexander is a seasoned former chief executive with more than 28 years' experience in US building materials and associated industries. He was previously CEO of Building Materials Holding Corporation for eight years and of ORCO Construction Distribution for four years before that. He holds a BA from The Ohio State University and an MBA from The Pennsylvania State University.

Mr Alexander appears well qualified to contribute to the board and ASA will vote undirected proxies in favour of his election.

Item 2.2	Re-election of John Marlay as a Director
ASA Vote	For

Mr Marlay joined the board in 2009 and currently serves as a member of the Remuneration and Nomination Committee and the Health, Safety & Environment Committee. He is Chair of Flinders Ports Holdings Pty Ltd and was previously CEO and managing director of Alumina Ltd from 2002 to 2008. He holds a science degree and has held a number of senior executive and board positions in other companies. We note that by the end of his term Mr Marlay will have served twelve years on the board after which ASA would no longer consider him to be independent.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Boral's remuneration arrangements are somewhat complicated by the fact that, following the Headwaters acquisition, the CEO is now remunerated as a resident in the USA and short-term incentives (STI) and long-term incentives (LTI) are calculated on the basis of base cash salary (BCS) rather than fixed annual salary (FAR), BCS being lower than FAR as it excludes some fixed benefits such as pension amounts. This leads to some differential in the percentage targets for STI and LTI.

For FY18, the CEO received a 2% increase on an FAR equivalent basis and other KMP received increases of between 2.56% and 4%.

STI remains based on the single financial measure of earnings before interest and tax (EBIT) subject to a pre-determined gateway below which no STI awards are made. STI target opportunity was raised from 50% of FAR to 60% for FY2018 whilst maximum opportunity was lowered from 200% of FAR to approximately 165%. Awards are paid 80% in cash and 20% in performance rights deferred for two years. ASA prefers at least 50% of STI to be paid in equity. STI awards this year ranged between 75% and 121% of target for key management personnel (KMP) other than President and CEO North America whilst the latter received 37% of target reflecting the below target EBIT delivered by Boral North America.

LTI is measured against two hurdles, two thirds of the award based on relative TSR over three years against an ASX 100 comparator group vesting 50% on reaching the 50th percentile then

straight line to 100% vesting at the 75th percentile, and one third based on return on funds employed (ROFE) with 50% vesting at target ROFE of 12% (for 2020) and straight line to 100% vesting at 12.5%. For FY19, the ROFE target will be set by reference to Boral's weighted average cost of capital (WACC) and the vesting range expanded from 0.5% to 2%.

There are still variances from ASA guidelines. LTIs measured against relative TSR can vest when actual TSR is negative (as it was in FY18) and the vesting hurdles are too low with 50% vesting at the 50th percentile and 100% at 75th percentile (51st and 85th percentiles are preferred). LTIs vest over a relatively short period of three years.

We also note Boral have considered, but eventually decided against, safety being included as an additional STI metric on the grounds that safety is so fundamentally important that it should not be separately financially rewarded. This was supported by an investigation of ten year statistics which showed that safety improved independently of whether or not safety was an STI metric. Whilst we do not necessarily disagree with this conclusion, we question whether the single STI metric of EBIT may not lead to over emphasis on financial considerations at the expense of cultural targets such as safety, environment, employee engagement and leadership etc.

However, in principle the remuneration structure based on quantified measures is sound and ASA will vote undirected proxies in favour of the report.

Item 4	Award of LTI and deferred STI Rights to Mike Kane, CEO and Managing Director
ASA Vote	For

Approval is sought for a grant to Mr Kane of a total of 589,464 rights to receive ordinary shares in the company under the STI and LTI components of the incentive scheme for 2018. The LTI component of 549,487 rights arises from the proposed award for FY17 (subject to three year vesting conditions) with a face value at 1 September 2018 of \$3.8m. The STI component relates to the 20% deferred component of the FY17 STI amounting to 39,977 rights with a face value of \$277,002.

Boral has clearly disclosed the methodology for calculation of the award in accordance with previously approved incentive plans including the use of market volume weighted average price (VWAP) face value for the calculation of the number of rights awarded, so ASA will vote undirected proxies in favour of this resolution.

Item 5	Renewal of proportional takeover provisions
ASA Vote	For

The proportional takeover provisions ensure that shareholders have an opportunity to decide whether a proportional takeover bid is acceptable and should be allowed to proceed. The provisions are contained in Schedule 5 of the constitution and were last approved at the 2015 AGM for a three year period which will expire just following the 2018 AGM. The Corporations Act requires the provisions be voted on every three years and that the information included in the Notice of Meeting be provided.

The individual involved in the preparation of this voting intention has a shareholding in this company.

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