Build something great™

Boral Limited
Level 3, 40 Mount Street
North Sydney NSW 2060
PO Box 1228
North Sydney NSW 2059

T: +61 (02) 9220 6300
F: +61 (02) 9233 6605

www.boral.com.au

3 November 2016

The Manager, Listings
Australian Securities Exchange
ASX Market Announcements
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir

AGM Addresses

We attach copies of the prepared AGM Addresses by the Chairman, the CEO & Managing Director and the Chairman of the Remuneration & Nomination Committee which will be delivered at the Company's Annual General Meeting which commences at 10:30 am today.

Yours faithfully

Dominic Millgate
Company Secretary

2016 ANNUAL GENERAL MEETING
THURSDAY, 3 NOVEMBER 2016

Chairman's Address

by Dr Brian Clark

Welcome ladies and gentlemen and thank you for attending Boral's 2016 Annual General Meeting.

It's with much pride that I am addressing you today at the end of my first year as Boral's Chairman.

CELEBRATING 70 YEARS

This year, we celebrate 70 years since Bitumen Oil Refineries Australia Limited – later to become known as BORAL – was incorporated by its founding Chairman, David Craig.

We can be proud of Boral's history and optimistic about the future.

Boral is one of Australia's most recognised brands, with a strong presence too across North America and throughout Asia.

For the past several years, the company's tagline – accompanying our brand – has been Build Something Great. We have been building something great with our customers since 1946, helping to build great infrastructure, great homes, great commercial centres, and great cultural landmarks.

At this point, I would like to pause for a few minutes and invite shareholders to watch a short video that captures some of the great work Boral's products and people have helped to build over the past 70 years.

David Craig would no doubt be impressed that from its humble beginnings in an office in Matraville in Sydney's east, Boral has gone on to supply products into so many iconic structures around the globe – bridges, airports, highway systems, shopping centres, apartment and commercial towers, hotels, entertainment precincts, sporting stadiums, embassies, houses of parliament, and homes for millions of people across Australia, America, Asia and the Middle East – and for a period – in the UK, Poland, Germany, elsewhere in Europe, Mexico and even Trinidad.

Twenty years ago, when Boral's first 50 years were being recognised, Professor Fred Hilmer who at the time was Dean of the Australian Graduate School of Management, wrote: "Despite the magnificent company that has been built, continued success is never certain for any organisation. It will be interesting to see how Boral transforms itself and defines its destiny for the next fifty years."

BORAL’S FUTURE

Well, after the first fifty years of acquisitive growth and diversification, the past twenty years have seen Boral transform into a more focused and much more innovative organisation. And from here, Boral’s transformation is continuing.

We know what we are good at and where we have a clear competitive advantage. We are building on that strength and ensuring we have scale to deliver performance excellence and sustainable growth into the future.

In Australia, Boral’s strong, integrated construction materials business sets us apart. Our leading positions in concrete and asphalt are built around our extensive quarry reserves and ability to cost-effectively supply cement and bitumen into our downstream operations.

We are well positioned to supply the growing infrastructure market and the strong commercial and residential construction sectors. However, our ability to grow the Australian business through cycles is limited by the scale and scope of the market. We are committed to the Australian market, and to innovate to continue to service the market effectively, but the Australian market is simply not big enough to match our ambitions for another 70 years of growth.

This is why we have identified Asia and North America as Boral’s key growth platforms, with product innovation at the core.

In fact, when it comes to innovation, it is certainly not business as usual for Boral.

We are investing in innovation across all of our businesses, especially in Asia and the USA.

Let me provide you with an example of our commitment to – and success through – innovation.

As part of our USG Boral joint venture we continue to invest in cutting edge technologies that produce a stronger and lighter plasterboard, a product that is truly revolutionising the sector. We have taken this product to our markets in Australia and Asia through the Sheetrock® brand. And its success has been spectacular.

Sheetrock® now accounts for more than 80 per cent of our board volumes sold in Australia, and our penetration rates across our Asian markets is as high as 70 per cent in some countries. And because the product is cutting edge, we can charge a price premium, too. The opportunity for further growth for this product is substantial and reinforces our commitment to innovation across our businesses.

Innovation is also underpinning Boral’s light building products offering in the USA.

Earlier in the video you would have seen our latest investment in Boral’s Innovation Factory in San Antonio in Texas where we are progressing Boral’s patented fly ash and polymer composite trim and siding products. We are now selling our trim and siding products through some 700 distributors in the US and continuing to develop other applications for Boral’s patented technology including sheet products.

Boral's future in North America is moving in the direction of light building products as our focus shifts away from the high fixed cost businesses. As you will recall, this had a significant financial drag on Boral's earnings during the recent recession in the USA.

Despite four decades of experience in the USA, the Global Financial Crisis taught us an important lesson – and one we have learnt: we can have a great business that performs very well at mid-cycle and above, but to be truly great we also have to be good at weathering cyclical downturns in the market.

This is what we have been positioning Boral to do in the USA.

We are building a portfolio of businesses that have lower fixed cost structures and that are exposed to a broader range of construction segments – not just the single family housing market.

Portfolio reshaping, product innovation and organic growth will take us some way there, but as we have flagged previously, we are also assessing strategic acquisition opportunities to help build scale in attractive product portfolios and market segments in the USA.

We believe that we are at the right point in the recovery of the US economy to consider strategic investments that align with our goals and, as you would expect, we are being very disciplined in our approach. Your Board is determined that we will only move if there is demonstrable shareholder value we can unlock.

While we currently see a long and healthy recovery to the peak of the next cycle in USA, if we don't find the right opportunities at the right price, we are still much better positioned to weather any future or potential cyclical decline.

For example, the recently approved North American bricks joint venture with Forterra, which has commenced this month, will allow us to deliver significant improvements including through operational and distribution synergies, further taking fixed costs out of the brick business. We are also improving and focused on growing the light weight and higher variable cost businesses in the US portfolio including in Roofing, Cultured Stone, Fly Ash, and our polymer based composite Trim and Siding products.

The transformation of Boral, which is taking advantage of our geographic diversity, is progressing well. It's evident through the successful transactions of the USG Boral joint venture, the North American Bricks joint venture, and the East Coast bricks JV and recent divestment to CSR here in Australia.

The transformation to performance excellence is also evident in Boral's significantly improved safety results and financial results.

A STRONG SAFETY CULTURE

In FY2016, Boral's safety performance continued to improve, with a significant 27% reduction in the recordable injury frequency rate (RIFR) down to 8.8 and a 28% reduction in the lost time injury frequency rate to 1.3.

All divisions performed well in the area of safety, reflecting the fact that Boral's people are committed to a culture of delivering Zero Harm Today, and every day. Mike will talk a little further about Boral's safety culture and performance.

Boral's approach to safety is underpinned by a values-driven culture and a commitment to doing what is right – an honest, respectful and authentic approach.

This approach extends to the way our operations and our people impact the communities in which Boral operates. Across the business efforts are made to work closely with our neighbours and local communities to minimise operational impacts and to make a positive difference where we can.

To give you an example of that commitment, last week, 24 of Boral's Australian employees joined Habitat for Humanity in Indonesia to help build houses for families in need. The Boral team came together from across the country and raised more than $72,000 for the build prior to departing Australia.

All over Boral's operations, our people get involved in a range of community partnerships, including Habitat for Humanity, Conservation Volunteers, the Taronga Zoo Foundation, RedKite, HomeAid in the USA and more recently we have shown our support for the Great Barrier Reef Foundation.

FINANCIAL RESULTS

Let me now move onto Boral's financial results.

In FY2016, Boral delivered strong improvements in financial returns for shareholders.

Profit after tax (PAT) (before significant items) of $268 million was up 8% on last year. A net loss of $12 million was recorded for significant items. This included a favourable resolution of various long-term tax matters which was offset by a A$45 million post-tax impairment of the earnout receivables that we recognised when the USG Boral JV formed in February 2014.

While the USD denominated earnouts are now unlikely to be achieved, due only to unfavourable currency movements, USG Boral is proving to be a highly successful joint venture and earnings targets remain on track in local currencies. It is also important to note that Boral banked a substantial A$60 million benefit at the time of the transaction due to currency movements between the transaction announcement and closing.

In FY2016, earnings before interest and tax (EBIT)[1] of $398 million was 12% ahead of the prior year. Construction Materials & Cement contributed a significant $293 million of EBIT, Building Products delivered $33 million, Boral USA reported $44 million of EBIT, and $59 million of post-tax equity accounted income came from our 50%-owned USG Boral joint venture.

Boral's EBIT return on funds employed (ROFE)[2] improved from 8.2% to 9.0% in FY2016, despite unfavourable currency movements impacting overseas asset values.

[1] Before significant items
[2] EBIT (before significant items) return on funds employed at 30 June 2015.

Boral's net debt at 30 June 2016 of $893 million was slightly higher than $817 million a year ago, due to increased capital expenditure and exchange rate impacts. However, Boral's balance sheet remains strong, with gearing[3] of just 20%.

The Board declared a final dividend of 11.5 cents per share for a full year fully franked dividend of 22.5 cents per share, up 25% on the prior year. This represents a payout ratio of 62%, which is in line with Boral's Dividend Policy of between 50% and 70% of earnings before significant items, subject to the Company's financial position.

Boral delivered a solid total shareholder return[4] of 11.7% for the year – ahead of the average 10.0% for ASX100 companies.

On 21 September 2015, we completed an on-market share buy-back program, which the Board had announced in March 2015. During FY2016, $115 million of cash outflow related to the share buy-back, which was in addition to the $116 million spent buying back 2.4% of issued capital in the prior year.

THE BOARD

Turning now to the Board. In my first year as Chairman, I continue to benefit from the Board's diversity of experience across a range of sectors, functions and professions, as well as its diversity of tenure and gender. That diversity of directors, including some with a longer tenure with a deep understanding of the Company and its business and some with a shorter tenure and fresh perspective contributes to rich discussions and debate around the Boardroom table.

In March 2016, we welcomed Karen Moses as a new non-executive Director, filling the vacancy left when Dr Bob Every stepped down from the Board in November 2015. Karen brings extensive senior executive experience from the energy sector in Australia and overseas, with responsibilities spanning corporate strategy, finance, transactions, safety and environment, risk, compliance and insurance. Karen was a Director of Origin Energy and is currently a Director of Orica and Charter Hall. Karen has experienced some major successes and some unique challenges in her executive career, all of which is contributing to the Board's tool kit of knowledge and skills.

Karen's appointment means that Boral is now one of only a handful of major companies in Australia where half of its Directors are female.

In May 2016, the Board visited USG Boral's operations in Vietnam as well as Boral's operations in Texas in the USA. While the gypsum business in Vietnam is relatively small, it is an impressive, thriving operation, with excellent depth and breadth of local management and significant potential for growth.

[3] Net debt/(net debt + equity).

[4] Total shareholder return based on share price appreciation, dividends and franking benefits

In Texas we spent time with the US management team, and inspected Boral's fly ash operations and new Innovation Centre in San Antonio where an impressive team of PhD's are advancing our products of the future. The Board has confidence in the US team and its ability to strengthen Boral's innovation platform and to shift the portfolio toward light weight building products.

EXECUTIVE TEAM AND BORAL'S PEOPLE

During the year, there were some changes to Boral's Executive Committee.

Al Borm who has been President & CEO of Boral USA since October 2012 stepped down from the role at the end of June 2016. He continues to be a member of the joint venture Board of USG Boral and will join the Board of the Boral Forterra Brick JV.

David Mariner, who joined Boral in 2010 and has been running Building Products in Australia since December 2014, became President & CEO of Boral USA from 1 July 2016.

This change provided an opportunity to bring the smaller Building Products division together with Construction Materials & Cement (CM&C) forming a new division, Boral Australia. Previously responsible for CM&C, Joe Goss became Divisional Chief Executive of Boral Australia, effective 1 July 2016.

With Joe Goss running Boral Australia, David Mariner leading Boral USA and Frederic de Rougemont the CEO of USG Boral, the Board is confident that Boral has the right team in charge, under the very capable leadership of Mike Kane as CEO.

On behalf of the Board and Boral's shareholders, I thank Mike Kane, who is doing an outstanding job of delivering against promise and executing Boral's transformation strategy. I also thank Boral's Executive Committee and all of Boral's people, for their considerable efforts and commitment to delivering Boral's goals and strategic priorities.

I now welcome Mike Kane to the microphone to address shareholders. Thanks, Mike.

Dr Brian Clark

2016 ANNUAL GENERAL MEETING
THURSDAY, 3 NOVEMBER 2016

CEO & Managing Director's Address

by Mike Kane

Ladies and gentlemen.

As you may recall, when I first spoke to you some four years ago as a newly-appointed CEO, I talked about the need to transform Boral.

We had then a good business, with solid foundations, but one that required some significant repair in the first instance and then, a new vision about its future.

We are now well past the fix and repair phase and starting the transformation.

Our vision – one shared by the Board and management – is to transform Boral into a high performing global building products and construction materials company that is recognised for delivering world-class safety performance and excellent value for shareholders.

In the past year, the Group has delivered significantly improved financial and safety outcomes, and we have undertaken a number of successful strategic transactions to further strengthen the business and position Boral for more sustainable growth.

FY2016 RESULTS BY DIVISION

Looking at FY2016 divisional results.

All of Boral's divisions delivered on their promises during the year.

Across the Group there is a clear link between strong leadership, good safety outcomes and financial performance. When safety is managed well, the business is managed well.

During the year we held a two-day safety summit, where zero harm was discussed by 100 Boral leaders, including members of the Board who joined us at various times throughout the forum. Recognising the debate in many industries about whether zero harm is an achievable goal, we tackled the question internally. We asked ourselves – 'can we get through today without hurting anybody?' And the answer was yes. We have done it many times. So that's our objective, to get through the work today without injuring anybody. And we'll do it again tomorrow. That's a very achievable goal, and that's how Boral is embracing zero harm as a safety philosophy.

Striving for Zero Harm Today underpinned a 28% reduction in Lost Time Injury Frequency Rate (LTIFR) in FY2016 to 1.3 and a 27% reduction in the Recordable Injury Frequency Rate (RIFR) to 8.2.

In the broader industries in which we operate in Australia the average LTIFR is around 7.2 to 9.3[1], compared with Boral Australia's LTIFR for FY2016 of 1.1.

These strong safety results are improving across the organisation. As are Boral's financial results.

Construction Materials & Cement (CM&C) – Boral's largest division – reported a solid 4% lift in earnings before interest and tax (or EBIT) and before property earnings. Including property, FY2016 EBIT of $293 million was $8 million lower than the prior year because, as anticipated, earnings from the recycling of our property assets were not as high as FY2015.

Building Products delivered $33 million of EBIT, which was $3 million better than last year.

As the Chairman highlighted in his address, at the end of the year we brought these two Australian divisions together as one Boral Australia division. This is delivering around $2 million of annual cost savings and supporting further cross-business collaboration.

Looking at our Australian markets, the end of the resource boom has had some impacts on Boral's operations. There's been a significant slowdown in Perth, particularly moving into FY2017, and low levels of demand in regional Queensland and Western Australia. The most significant impact for Boral however, has been the lower concrete and quarry volumes as a result of the completion of major LNG projects in Queensland, Western Australia and the Northern Territory.

However, the continued strength in the Australian housing market – particularly multi-residential construction, which remains at historically high levels –has underpinned the strong performance of the Australian businesses. We are also seeing early benefits from the significant multi-year pipeline of infrastructure construction work, which lies ahead.

We have commenced supplying concrete (with the associated quarry products and cement) to Sydney's multi-year NorthConnex road project. We are using mobile concrete plants previously used on the LNG projects in Gladstone to supply NorthConnex, which means we are not placing additional demand on our fixed plant network.

In recent weeks we have secured the supply of asphalt to Northlink Stage 1 in WA, and we are in various stages of tendering and negotiations on several other major infrastructure projects across the country, and there are more in the pre-tendering pipeline.

Boral's diverse market exposure in Australia together with our outstanding position in New South Wales, where conditions remain very strong, means that we are able to deliver strong and steady underlying performance. Because of this broad market exposure we are seeing continued earnings strength and modest growth. In other words, as one market softens another is growing.

[1] Source: Safe Work Australia data 2013-14. Based on Safe Work Australia's definition of Lost Time Injury Frequency Rate using injuries that resulted in five or more days lost time from work. Boral data for Australia only is on the same basis for comparative purposes for FY2016.

Turning to our 50%-owned **USG Boral** gypsum joint venture, it delivered a 21% increase in post-tax equity income to $59 million and a 27% lift in underlying EBIT to $179 million in FY2016. This is a unique business, and one that should serve Boral extremely well for decades to come.

Over the past four years, the underlying earnings from this business have increased from $83 million to $179 million, and it is continuing to grow.

In February 2014, when we announced the formation of the joint venture with USG, we knew their world-class technologies and product developments would significantly benefit the business. But it's fair to say our expectations have been exceeded.

We have rolled out the new technology manufacturing platform across all of our countries of operation and we are now producing higher strength, lighter weight plasterboard and gypsum products under the Sheetrock® brand, which is securing price premiums of around five percent relative to standard board.

Across USG Boral's operating countries throughout Asia and the Middle East, penetration rates of Sheetrock® relative to our total volumes sold is currently between 11% and 70%, and penetration rates in Australia are now exceeding 80 per cent of our volumes. While the Sheetrock® range is commanding a higher price, we are now producing it at a similar cost to the historic cost of standard plasterboard.

Turning to the USA, the recovery in the housing market there continues, albeit at a slower-for-longer trajectory. A 9% lift in US housing activity in FY2016 to around 1.15 million starts and a one-off property sale of US$7 million contributed to a positive US$32 million EBIT for the year compared with US$5 million in the prior year. In Australian dollars, Boral USA delivered A$44 million of EBIT in FY2016 versus A$6 million in the prior year.

At 1.15 million starts, the US market has increased significantly from the historic low of around 570,000 starts that we saw in FY2011 following the Global Financial Crisis (GFC) but it remains well below the 50 year average of around 1.5 million starts and well below the last peak which exceeded 2 million starts. To us, this shows the considerable upside in the US housing market, and we believe that Boral can leverage further potential by repositioning the business away from high fixed cost, asset intensive operations, to more agile businesses that are less reliant on the detached housing market and more diversified across a range of US construction markets.

STRATEGIC PRIORITIES

So let's look at the strategic initiatives that are underway.

In late August, we announced the **formation of a North American Bricks joint venture** with Forterra – the owners of the brick assets previously owned by Hanson Brick. Within a month we received approval from the US regulators to proceed and two days ago, on 1 November, the joint venture commenced.

This is an exciting value-creating opportunity that has taken some effort and patience to come to fruition but will deliver extraordinary benefits over the next four to five years.

As shareholders know, the US brick business has been challenging in recent years and its high fixed cost nature means that it has been a heavy weight dragging Boral's results down through the US recession. In fact, the US brick business was still incurring losses in FY2016. This year, in FY2017, we expect the bricks business to be broadly break-even, and then to grow as the market recovers further and as we deliver joint venture synergies.

The North American bricks joint venture provides the opportunity to create a more efficient and better positioned business to compete long-term. We will be able to optimise Boral's and Forterra's combined manufacturing capacity and distribution network and with greater scale economies and a streamlined selling and marketing operation, the JV is expected to realise significant cost synergies of over US$25 million by year four.

As our focus in the US shifts away from high fixed cost manufacturing to more scalable variable cost products, we see a strong future in light weight, more sustainable building products at the core of the US business.

We are **continuing to invest in the development of innovative fly ash based polymer composite products** and our patent-protected trim and siding products are gaining further traction in the market.

Boral's TruExterior Trim and Siding, which we are now distributing through over 700 locations in the USA, is setting new standards. This is an innovation that Boral developed from scratch in a laboratory, piloted, commercialised and we are now building scale. We are proud of our achievements in developing this new technology and unique manufacturing process. Unlike alternative products in the market, our composite products do not absorb moisture, they are dimensionally stable and effectively maintenance free for the life of the building.

The most exciting aspect of our composite materials developments in the US, apart from its strong sustainability attributes, is that with relatively minor chemical and physical adjustments the material can be modified to produce a range of products for various applications and conditions. We are currently looking at opportunities to commercialise a low density sheet product that could have applications as a backer-board or in commercial roof structures.

During the year, we completed a **US$4 million investment in our new R&D facility** in San Antonio in Texas, which we call the Boral Discovery Centre. It is here that the important materials technology and product development work is taking place.

As I have said previously, **we continue to explore opportunities to scale our US business** and provide a strong platform for growth. We remain committed to increasing our nearly 40 year US investment where there are more opportunities, the market is larger and more diverse and where the economic and construction cycle is coming off historic lows.

In particular we are looking for ways to create scale around our lighter weight products – not only trim and siding but also roofing, manufactured stone, fly ash and related products. Ultimately our goal is to accelerate the repositioning of the business to being more agile and diversified across a range of US construction markets, achieve returns that exceed the cost of capital through the cycle with more sustainable growth.

We continue to maintain a very disciplined approach to assessing strategic M&A. Of course, in the event that we do not find the right opportunities at the right price, capital management remains an option.

So overall, Boral is **well-positioned to leverage growth in all of our three major geographies** – Australia, the USA and in Asia.

I have talked about growth in the USA through market recovery, innovation and possible M&A. Across USG Boral's geographies of Asia, the Middle East, Australia and New Zealand, we will be growing through further penetration of our plasterboard products as it gains greater traction in maturing construction markets. We will also be growing through product innovation, new adjacent products, and economic development in emerging markets.

Finally, coming back to Australia, while significant top-line growth through cycles is limited by the scale and scope of the market, we have a strong, high performing, well-positioned business to maintain and continue to strengthen.

Three days ago we announced the **divestment of our 40% share of the Boral CSR bricks joint venture** to CSR for a total cash consideration of $134 million, and a post-tax profit on sale of around $20-$25 million, which will be recognised as a significant item this year.

CSR is the natural owner of the bricks business and it is more sensible for Boral to realise value for the business now that the synergies from the integration of the two businesses has been delivered and re-direct capital to areas of core strength and strategic opportunities for Boral.

Shareholders should note that two Boral-owned land-holdings were excluded from the JV when it was formed in May 2015 – Scoresby in Victoria and surplus land at Bringelly in Sydney's West. The surplus land at Bringelly was sold in FY2015 for $35 million, leaving only Scoresby – a 171 hectare site with potential for 87 hectares of future residential development lands. Boral retains ownership of Scoresby and will continue to lease it to CSR. We retain an option to terminate the lease in 2025 with three years' prior notice.

A few years ago we commenced a **quarry reinvestment program** to strengthen our leading quarry positions in key Australian markets. To date we have invested over $300 million and we are likely to invest up to a further $100 million over the next two years to complete the reinvestment program.

We have completed the new state of the art Peppertree quarry near Marulan for the Sydney market, we have commenced upgrades at Orange Grove Quarry in Perth and Deer Park Quarry in Melbourne, and we are currently developing plans to upgrade the Ormeau Quarry in Brisbane. These quarry investments are supporting increased yields from our key operations, lowering the cost of our quarry operations and securing Boral's future capacity requirements to cost-effectively supply capital city markets from these privileged reserves.

1Q FY2017 TRADING & OUTLOOK

Let me now give you a brief **Trading Update** for the first quarter of this year and talk through the **Outlook** ahead.

BORAL AUSTRALIA

At Boral's full year results announcement in August we commented on the outlook for FY2017. We said Boral Australia would benefit from continued strength in East Coast housing markets and the uplift in roads and infrastructure activity, which will benefit more in the second half of FY2017. We said Construction Materials & Cement is expected to deliver slightly higher EBIT compared with FY2016 (including property in both years), and this earnings growth should more than offset slightly lower earnings from Building Products due to weaker housing markets in Western Australia and South Australia.

Typically, earnings from Construction Materials & Cement (excluding property) are skewed towards the first half of the year reflecting available working days. However, we said in August that in FY2017, earnings are expected to be broadly balanced between the first and second half, due to softer major project activity and lower demand in Western Australia ahead of the expected ramp-up of materials demand for infrastructure projects and the timing of announced price increases.

So what do we know at the end of the first quarter?

We have seen East Coast housing activity remain strong and the uplift in major roads and infrastructure projects is firming, as expected. We have commenced or are about to commence a number of large road and highway projects, which will bolster the second half, and we are seeing stronger pricing environments which should also positively impact the second half.

While we have seen softness in South Australia in line with expectation, the Western Australian market has come off a little harder than we thought it would. In response, we have curtailed production at our Midland Brick operations in Perth even further after mothballing Kiln 8 in late FY2016.

Unfortunately, there has been significantly more wet weather across the country compared to seasonal averages and this has had an impact on our business, at least in the short-term.

I don't need to tell you how wet the past quarter has been in Sydney and in fact, the majority of the country experienced higher than average volumes of rainfall in the September quarter and in many areas record high levels of rain were recorded. Even in areas that only experienced average volumes, they tended to experience more wet days than average.

Every time it rains, our business is affected. Substantial rainfalls impact our operations – especially our quarrying operations. But even small volumes of rain – at the wrong time of day – can cause delays and disruption to concrete deliveries and asphalt operations.

Of course, it doesn't mean the work goes away – we still benefit from the volumes – but it pushes the work back. Rain also adds costs. Every waiting, idle crew costs money. Every idle quarry, every delay impacts productivity and squeezes margins.

So, in Australia we are behind where we thought we would be at the end of the first quarter, primarily because of wet weather and lower volumes in Western Australia. We are working hard to make up volumes and offset the higher costs throughout the rest of the year, and we remain confident that stronger pricing and increasing infrastructure volumes will deliver benefits in the second half.

In addition, we divested our share of the East Coast bricks JV, effective 1 November 2016, so we will see around $6.5 million of lower equity earnings from the JV in FY2017 relative to FY2016, as a result.

Taking into account the lower earnings from Building Products, **Boral Australia (excluding Property in both years) is expected to deliver slightly higher EBIT in FY2017 compared with FY2016**, assuming a return to more normal weather patterns.

As is often the case at this point in the year, it is too early to provide guidance around Property earnings. However, the contribution from Property is still expected to be lower in FY2017 compared with FY2016, as previously flagged.

In terms of first half versus second half, we now expect full year earnings from Boral Australia to be further skewed to the second half. The first half of the year is also expected to be lower than the first half of FY2016 for Boral Australia, reflecting softer major project and WA activity ahead of the ramp up of infrastructure work and exacerbated by the wet weather impacts.

USG BORAL

In August, we said that **USG Boral** is expected to deliver further improvements in FY2017 underpinned by strong volumes in Australia and some volume improvements in Asia together with continued penetration of Sheetrock® products, cost and price management, and JV synergy realisation.

In the first quarter we did see continued penetration of Sheetrock® with strong results in Australia and Korea as well as in smaller country operations such as Vietnam. We also saw improved performance in Indonesia where there was some market softening last year.

Overall, **USG Boral's results are ahead of our expectation after the first quarter and we remain confident that USG Boral will deliver strong full year improvements in Asia and Australia in FY2017 through cost and synergy benefits as well as volume and price growth in some markets.**

BORAL USA

And finally, looking at **Boral USA**. We indicated that the US division should report a further increase in earnings in FY2017 underpinned by continued market growth. In August we were seeing external forecasters projecting approximately 1.3 million housing starts on average for FY2017 up from 1.15 million in FY2016. However, recent approval data indicates housing starts are more likely to be closer to 1.25 million for the full year.

In the first quarter, total US housing starts[2] were 2% lower than the prior corresponding period and single-family starts were only up 2%, which was below expectation. As a result we only saw modest volume gains in Boral's US building products businesses with pricing remaining challenged at these levels of demand. **So while we are behind where we thought we would be after the first quarter due to lower than expected housing activity, we continue to expect US housing market growth in FY2017, underpinning continued earnings growth from our US business.**

More specifically, US Bricks and the lightweight Trim & Siding business are both expected to deliver results around break-even in FY2017. The US Bricks joint venture with Forterra has commenced and the expected restructuring costs will be treated as a significant item.

So across the Group we have seen some ups and some downs in the first quarter, which is not unusual. Focusing our attention on the near-term game, we are responding to movements in market demand, and in Australia we are catching up on volumes due to weather impacts in the first quarter and continuing to work hard to deliver a good share of major infrastructure work. We are continuing to implement our Commercial Excellence and continuous improvement programs to ensure cost increases are recovered through pricing strategies and that we deliver productivity gains to strengthen margins.

Our overall near-term outlook is that Boral's EBIT will be higher in FY2017 compared with FY2016.

We are also maintaining focus on the strategic long-term game. We are building a business that delivers more sustainable growth, ongoing value for shareholders, superior products and services for our customers, and a values-driven organisation that has a positive impact on the communities in which we operate.

Boral has enjoyed strong and loyal support from our customers – large and small – across all of our geographies; I thank our customers for that support. I also thank the Master Builders Association of Australia, the American Australian Association and the US Studies Centre at the University of Sydney, for their support during the past year recognising our efforts to help improve the Australian construction industry including supporting the Australian Building & Construction Commission (ABCC) Bill which remains before Parliament.

Finally, to Boral's people around the world – our employees and contractors – I thank them all for their commitment to safety, their hard work, their persistence and their passion. And I congratulate them on continuing to **Build Something Great**. Thank you.

Mike Kane

[2] US Census Bureau raw data for July - September 2016 quarter

Build something great™

2016 ANNUAL GENERAL MEETING
THURSDAY, 3 NOVEMBER 2016

Remuneration & Nomination Committee Chairman's Address

by Kathryn Fagg

Good morning ladies and gentlemen.

It is always pleasing to be able to report a successful year. And 2016 has been a successful year for Boral, with continued improvement in the Group's financial performance.

In turn, this has led to good outcomes for executives when it comes to short- and long-term incentives, including for the Chief Executive Officer, Mike Kane.

The details on remuneration outcomes for our executives, the remuneration elements and the governance framework used to determine those outcomes are detailed in the Remuneration Report, along with the fees paid to Non-executive Directors.

I want to take this opportunity then, to provide shareholders with a brief update on the activities of the Remuneration & Nomination Committee over the past 12 months.

REMUNERATION REVIEW

In 2016, we did not make any significant or material changes to our remuneration framework.

However, as indicated in last year's Remuneration Report, a one-off targeted retention plan was introduced to ensure stable leadership and continuity of Boral's business transformation initiatives, and the details of this plan are included in this year's Report.

We provided the one-off targeted retention incentives or TRI to eight of our key executives, excluding the CEO, in September 2015, comprising a grant of performance rights. The executive must still be working for Boral at the end of year three to receive any benefit.

The decision to introduce the one-off TRI was taken after losing two senior executives to competitors and in the context of the Board becoming aware of recruitment attempts of our top talent by competitors.

In addition, we are investing in these eight executives through the retention incentives together with a multi-year personalised development program, in order to develop and maintain a strong pool of potential internal candidates for senior level succession including CEO succession. While internal succession development is a key focus for us, we note that we expect Mike Kane to remain as CEO for another three to five years.

We have heard the views of the proxy advisors this year and we agree that TRIs should not be an embedded practice. However after careful deliberation, we believe these one-off incentives were the right thing for us to do under these circumstances, and assure shareholders that this was a one-off grant – there were no retention grants made in September 2016 and there will be no retention grants in the coming year.

REMUNERATION ARRANGEMENTS

Overall, our executive remuneration mix is a combination of fixed salary and at risk reward, which are based on the Group's performance in the short-term and the long-term.

For example, at the CEO level, we target one-third of the package to be delivered in fixed remuneration, one-third in short term incentives (STI) and one-third in long-term incentives (LTI).

Fixed remuneration continues to be benchmarked to the median of a comparator group of Australian listed companies in the ASX200 which are of similar size to Boral in terms of revenue and market capitalisation.

Eligibility for STI and LTI continues to be limited to those senior leaders who have influence and accountability over the Group's performance.

So, let me take you through the **short-term incentive plan** first.

Five years ago, we elected to focus the STI totally on annual financial performance using EBIT before significant items as our performance measure.

We continue to believe that EBIT is the most appropriate measure of short-term performance.

In terms of plan design, the link between Boral's overall performance and STI outcomes was strengthened, with those executives taking part in the STI plan having at least half of their STI payment based on the performance of the Group.

For the third consecutive year, we saw an increase in the level of STI payments, reflecting Boral's improved performance and the achievement of financial targets in FY2016.

In the view of the Committee, this confirms that our remuneration arrangements are aligning well with shareholders' interests.

Boral's EBIT before significant items increased by 12 per cent or $41 million in FY2016 on the prior year, and the payments to executives increased by 9 per cent.

Significant items - whether positive or negative – are typically excluded from our calculations of EBIT for remuneration purposes to align the underlying performance of the business with rewards for our leadership team.

In FY2016 significant items included the favourable resolution of tax matters and the impairment of future receivables due to adverse movements in exchange rates.

While overall, Boral's Senior Executives were rewarded with strong short term incentive outcomes as a result of strong financial outcomes relative to target, and reflecting continued and significant year on year improvement, the CEO's STI was down slightly on last year, demonstrating the challenging targets that were set. The STI payments in the USA were also lower reflecting US performance against targets.

In FY2016, the STI scheme continued to deliver the award in two lots: 80 per cent in cash and 20 per cent deferred into equity for two years.

As we said previously, we are of the view that this deferral encourages sustained performance through the building cycle, further supports retention of our most able and committed executives, and encourages our senior leaders to take greater ownership of their responsibilities.

One added advantage – and one we hope we never have to use – is the fact that deferral provides a safety provision, in case we ever need to clawback remuneration as a result of fraud, dishonesty, breach of employment obligations or any material misstatement in Boral's financial reports.

Turning now to the **long-term incentive plan**. We continue to deliver these incentives as performance rights. And for current grants, we continue to use a fair market value methodology for determining the allocation of performance rights.

This is and has been for some time, a sensitive area and one that has resulted in considerable public interest. That is why we gave shareholders an undertaking last year to disclose both the fair AND the face value of the 2016 LTI grants and we have delivered on that promise.

Further, as indicated in this year's Remuneration Report and the Notice of Meeting, in light of investor feedback, the Company will consider moving to LTI allocations based on face value for next year. We do not expect this change to alter the remuneration package of executives that is made up of LTI, nor is it meant to change the value of LTI awards delivered.

However it is important to remember that the actual value that an executive may receive from any LTI award cannot be truly determined until after the end of the three-year performance period, because it is dependent on whether the performance hurdles are achieved and the Company's share price at the time of vesting.

As a further safeguard, these performance rights are tested every three years - with no retesting. This is in line with the three year performance period employed by the majority of ASX 100 companies.

To provide a more direct connection to Boral's long-term strategy, we use a return on funds employed or ROFE performance measure when it comes to the LTI plan. This helps to focus management's attention on the effective use of capital employed.

Given the significant shift in performance required, a three-year ROFE target of 12.0 per cent with 100 per cent vesting at 12.5 per cent has been set for the FY2017 LTI grant with reference to Boral's historical performance over rolling three-year periods.

Over the past three year period, ROFE has tracked on average at around 8.1 per cent[1], and for FY2016 was 9.1 per cent.

This means that a three year target of 12.5 per cent ROFE for 100 per cent to vest is demanding and requires continued substantial effort by all executives – as it should.

Our longer term goal, of course, is to exceed the weighted average cost of capital, which is equivalent to a ROFE of around 12 per cent.

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[1] Being the average of 9.1% (2016), 8.5% (2015) and 6.6% (2014)

ALIGNMENT BETWEEN EXECUTIVE AND SHAREHOLDER INTERESTS

For the past two years we have set aside 20 per cent of all STI awards into equity, for a period of at least two years.

We believe that this best demonstrates the commitment of the Board to align your interests as shareholders, with the interests of our executives. This remains subject to continued service and clawback conditions.

We also have in place a minimum shareholding requirement for executives - a way of ensuring our leaders have some “skin in the game”.

In the case of Mike Kane, Mike continues to hold in excess of one year’s fixed pay in Boral shares, thereby satisfying the requirements.

As we have said previously, the Board believes that having this very real investment in the Group increases the link between executives and the creation of long term-value to you, the shareholders.

The Board has also established minimum shareholding guidelines to encourage Non-executive Directors to invest in the Group. The guidelines stipulate that Directors accumulate over a period of up to five years a holding of ordinary shares that is equivalent in value to approximately one year’s base fees. All Directors are tracking well against these guidelines.

CEO REMUNERATION

At Boral, a safe workplace is not just our number one priority but also an important benchmark for the success of our CEO.

I am pleased to say that in Mike Kane, we have a leader with an exemplary track record in this area.

So, we take safety performance into consideration in reviewing the performance of the CEO and setting the fixed remuneration, rather than it being an additional determinant of STI payments.

In recruiting Mike Kane as Boral’s CEO in 2012 the Board undertook an international search to ensure that we employed the best candidate available to implement Boral’s strategy for the benefit of our shareholders. Mike Kane was identified as the ideal candidate and his track record since becoming Boral’s CEO has been excellent.

Mike Kane is an American working in Australia while his family remains in the US. To attract Mike to assume the position Boral agreed to pay for the CEO's accommodation and also for some family travel costs. The Board believes it is appropriate in the circumstances for the Group to incur these costs on top of Mike’s “fixed remuneration” and do not consider, in this unique scenario, that it is a valid comparison to include these costs when benchmarking the CEO’s fixed remuneration.

In FY2016, Mike Kane received $4.13 million of cash and other benefits, an increase of $119,000 over FY2015. This is due to an increase in Mike’s underlying salary, and increases in expatriate insurance premiums provided as part of his contract of employment.

Deferred STI and LTI were also granted to Mike in FY2016 bringing the reported value of his total remuneration to $6.97 million.

The increase in the value of these share-based payments is largely as a result of the impact of our earlier changes to LTI. This is reflected in higher amortisation of LTIs due to shorter vesting periods. In addition, the deferred STI component has now built up three years of amortisation, rather than two.

It should be noted, however, that until September 2015 the long-term component of Boral's CEO remuneration had not vested in any year for over four years.

With further improvements in the Group's business performance - together with changes to the plan implemented in 2013 - I can confirm that for two consecutive years, a portion of the LTI component vested, this time in September 2016.

The Board continues to ensure the CEO's remuneration is competitive and we believe the changes introduced in FY2016 reflect the improved alignment of remuneration with Boral's strategy, our business performance and shareholder expectations.

GOVERNANCE

Beyond advising the Board on remuneration policies and practices, the responsibilities of the Remuneration & Nomination Committee include identification and recommendation of suitable candidates for appointment to the Board.

The Committee also advises the Board on succession planning policy and talent management; and recommends strategies to make our Board more representative.

SUMMARY

The Committee believes that our remuneration practices remain sound and competitive; and that the changes we have made in the recent past are rewarding executives for the creation of short-term and long-term shareholder value.

The Committee remains very conscious of the need to ensure an alignment between financial performance, remuneration outcomes and shareholder interests and considers that the outcomes in FY2016 are consistent with that objective.

Irrespective of this view, the Remuneration Committee will continue to review the appropriateness of senior executive performance criteria and on this basis, welcomes feedback from shareholders around any aspects to Boral's current remuneration framework.

I thank you for your continuing support and commend the Remuneration Report for your adoption.

Kathryn Fagg