Australian Shareholders' Association

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Is this the year that Headwater gushes forth or will it continue to dribble along?

Company/ASX Code	Boral/BLD
AGM date	Wednesday 6 November 2019
Time and location	10:30AM Concourse, Chatswood, NSW
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Allan Goldin assisted by Ian Anderson
Pre AGM Meeting?	Yes, with Chair Kathryn Fagg, Chair of Remuneration Committee John Marlay, Company Secretary Dominic Millgate and Investor Relations Director Kylie FitzGerald

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

Summary of ASA Position

Boral's overall revenue on continuing operations basis increased but net profit after tax fell considerably from the levels recorded in the 2018 financial year (FY18). In Australia, the Group's biggest market, declining housing starts, and delayed infrastructure projects meant a slower year for concrete. Next year is not looking better. An August 2019 deal with Gebr Knauf KG (Knauf) means that Boral will acquire Knauf's 50% stake in USG Boral Australia and NZ for an acquisition price of $200 million, returning Boral to 100% ownership. This deal is subject to regulatory approval, and includes a call option, which will allow Knauf to buy back their 50% interest in 5 year's time. ASA believes that this figure of $200m is a very low multiple of 5.7 times 2019 earnings before interest, tax, depreciation and amortisation (EBITDA), for the 50% of the operation they didn't currently already own. However even a 100% of the operations' revenue and profits is not going to be enough to offset a further decline in housing starts and a hiatus in Australia's big upcoming infrastructure projects.

On a positive note, the Group's average EBITDA from property ($33m in FY19) will increase and will continue to provide a nice little bump in profits for a number of years. This is based on disused quarries, brickworks etc, now becoming sought after land for both residential and commercial development.

The group's second biggest division Boral North America has still not delivered on the projected returns that were made when A$3.7 billion was spent on purchasing Headwaters. For a variety of both environmental and management reasons, although there is a slight increase in revenue, both the EBITDA and Boral's key metric Return on Funds Employed (ROFE) performance is below what was promised and expected. Progress is being made on a number of fronts including a new move into reclaiming Fly Ash from landfill which is very important as the USA industry and power generation moves from coal to gas. However, this is the year that shareholders will be looking to see the real returns coming from the Headwaters purchase.

Knauf's purchase of USG, besides resulting in the realignment in ownership in Australia, has also led to the creation of a much-expanded joint venture in Asia. But even with all this activity around the globe, at the release of the FY19 result the company flagged its FY20 financial result is likely to be 5 to 15 % below this year.

When everyone knows that a CEO is leaving the company in 2 years, the question starts to be asked should that time be shortened. Very positively Boral has positioned three strong internal contenders to battle for leadership, although we question the value to Boral shareholders of Mike Kane's NED role with Sims Metal Management. It seems of greater value to the CEO and his future.

It is pleasing to see the continued improvement in both safety and injury statistics and Boral must be complimented on producing an excellent Annual Review document. In the Annual Report it is great to see actual take-home remuneration clearly laid out and hopefully other companies will take notice that footnotes don't need to be hidden in microscopic type face.

Unfortunately, despite the normal day to day operations requiring the company to make sure that any contractors that they are using are the best for their purposes, the same practise doesn't extend to taking their audit to tender on a regular basis, say every 10 years.

Summary

(As at FYE)	**2019**	**2018**	**2017**	**2016**	**2015**
NPAT ($m)	272	441	297	256	257
UPAT ($m)	440	473	343	268	249.2
Share price ($)	5.12	6.53	6.95	6.22	5.85
Dividend (cents)	26.5	26.5	24	22.5	18
TSR (%)	-13.4	6.7	23.4	11.7	19.8
EPS (cents)	37.5	40.4	33.7	33.3	29.7
CEO total remuneration, actual ($m)	2.68	6.59	9.78	7.79	3.97

For 2019, the CEO's total actual remuneration was **30.4 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2.1	**Re-election of Dr Eileen Doyle as a Director**
ASA Vote	**For**

Summary of ASA Position

Dr Eileen Doyle joined the Boral Board in March 2010, holds 45,248 shares in the Company and is a Director of Oil Search Limited.

The Board believes Dr Doyle's substantial expertise and experience with Boral and other major companies (both in Australia and overseas) enhances the Board's ability to oversee Boral's performance and governance, particularly in relation to health, safety and environmental management, including climate related risks and opportunities, and audit and risk management more broadly. Dr Doyle's technical and organisational expertise is particularly valuable in her role as Chairman of the Board's Health, Safety & Environment Committee.

ASA will vote its undirected proxies in favour of Dr Eileen Doyle

Item 2.2	**Re-election of Ms Karen Moses as a Director**
ASA Vote	**For**

Summary of ASA Position

Karen Moses joined the Boral Board in March 2016, holds 31,757 shares in the Company and is a Director of Orica Limited, Charter Hall Group, Snowy Hydro and Sydney Symphony Limited.

The Board believes Ms Moses' substantial experience both in Australia and overseas with responsibilities spanning corporate strategy, finance, safety, environment, risk, compliance and insurance, further enhances the Board's ability to oversee Boral's performance and governance. Ms Moses' insights, knowledge and experience are particularly valuable in her role as a member of the Board's Health, Safety & Environment Committee and a member of its Audit & Risk Committee.

ASA will vote its undirected proxies in favour of Karen Moss.

Item 3	**Adoption of Remuneration Report**
ASA Vote	**For**

Summary of ASA Position

The reason that no short-term incentives were paid out is that the minimum gateway of targeted EBITDA was not achieved. A gateway is an excellent concept and ASA would argue a necessary hurdle that must be climbed before bonuses are paid out. But we note, while the major factor in the payment of bonuses must be superior financial achievement, we are not sure how much recognition is given to senior executives demonstrating some non-financial achievements over and above that which may naturally be expected in fulfilling their job.

Although executive key management personnel (KMP's) have a minimum shareholding requirement, we and most of the ASX 100 believes that more than 20% of the STI bonus should be paid in deferred equity.

Basing the Long-Term Incentives (LTI) on total shareholders return (TSR) and return on funds employed (ROFE) is supported, but paying out half of the TSR bonus when the Company is only average is not pushing the envelope. Considering 3 years to be long term when you measure it against the length of the life of a quarry or the time span of a major infrastructure project illustrates how short a time in the planning cycle of a company it is.

It is unfortunate that Boral along with a surprising number of large companies seem to think the correct potential level of an LTI bonus for a CEO is twice their equivalent fixed remuneration. ASA applauds the idea of substantial parts of remuneration being at risk, but the ratio is just getting too high.

	Target $m	% of Total	Max. Opportunity $m	% of Total
Base Cash Salary	2.302	27.5%	2.302	25.0%
STI - Cash	1.622	19.3%	2.27	24.7%
STI - Equity	0.405	4.8%	0.568	6.2%
LTI	4.054	48.4%	4.054	44.1%
Total	8.383	100.0%	9.194	100%

Item 4	**Approval of LTI grant to CEO & Managing Director Mike Kane**
ASA Vote	**For**

Summary of ASA Position

This resolution is for the issue of 1,015,136 performance rights that if the TSR and ROFE hurdles are all met will vest as no cost shares.

As we said we are in agreement with the measurements and despite thinking the TSR hurdle is low, the ratio is too generous and the measurement period is definitely too short, we will vote in favour, but must question whether we will continue doing so when a new person is in the CEO role, as that will allow the board an opportunity to reflect on the appropriate level of remuneration.

As has been noted Mr Kane will actually not be with the company when it is determined if this bonus will vest in full or part as shares. Provided that he stays with the Boral to the end on financial year 2020, he will be entitled to a pro rata number of shares that may vest.

An individual (or their associates) involved in the preparation of this voting intention has shareholding in this company.