

Company: Boral Limited
Title: Annual General Meeting
Date: 27 October 2020
Time: 10:30am AEDT

Start of Transcript

Kathryn Fagg: Good morning ladies and gentlemen. Welcome to the 2020 Annual General Meeting. My name is Kathryn Fagg. I'm the Chairman of the Boral Board of Directors and I will be chairing today's meeting. I confirm there is a quorum present and I declare the meeting open. We acknowledge the Traditional Owners of the lands from which we're joining this meeting today. We recognise and respect Aboriginal and Torres Strait Islander peoples and their unique position in Australian culture and history and pay our respects to their Elders past, present and emerging.

Today's proceedings, like so much of what we've all experienced this year, are unique. It is the first time Boral has held a virtual AGM. We're doing so in the interests of the health and safety of our shareholders and our people. While it is disappointing that we're not together physically, every effort has been made to enable shareholders to participate in the meeting online. You will be able to watch in real time, submit questions and cast your votes. I will explain more on that a little later.

On behalf of the board, I welcome our shareholders, proxy holders and guests. Attending virtually are our CEO and Managing Director, Zlatko Todorcevski and Directors Paul Rayner, John Marlay, Karen Moses, Rob Sindel, Deborah O'Toole, Ryan Stokes, Eileen Doyle, Richard Richards and Peter Alexander. Also attending are Boral's executive team, as displayed on the screen. Finally, Ken Reid and Daniel Camilleri from KPMG, our external auditor, are also joining us today. Ken will be available to answer any questions you have about the audit of the financial statements later in the meeting. Prepared AGM speeches from me as Chairman, from the CEO and from the chairman of the Remuneration and Nomination Committee, have been released to the market.

Prior to these addresses, I would like to outline the technology and procedural matters for this meeting. An online virtual meeting guide, which explains how shareholders may participate in the meeting, was released to the market and is on the Boral website. On your screen you will see a video stream on the left and presentation slides on the right. At the bottom of the screen, there are three boxes. These allow you to get a voting card, ask a question and download relevant documents. Thank you to those shareholders who submitted questions prior to the meeting. We will aim to address those during the meeting where we have not covered them in the addresses.

If you have a question or comment that you would like to ask today, you may type questions into the online platform. To do this, click Ask a Question and follow the prompts. There is a limit of 512 characters for written questions. To ensure you have enough time to type and submit your question, I encourage you type this now instead of waiting until later in the meeting. Questions that are relevant to the business of this meeting will be read aloud to me by a Boral staff member. We may aggregate questions if we receive multiple questions on the same topic and we will save asking each question until the relevant item of business. All questions should be address to me as Chairman. I ask you to please restrict yourself to no more than two questions per item. Please also keep them short and to the point so that as many people as possible have the chance to ask a question.

I will now summarise voting procedures. All items of business will be voted on by poll, which is now open. You may cast a live vote during the online platform. Please click Get a Voting Card and follow the prompts. You may cast your live vote at any time during the meeting and we encourage you to vote as soon and as soon as you are ready. Live voting on the online platform will close five minutes after the close of the meeting. I will give you a warning when this five-minute period starts. At the conclusion of the AGM, you will see a red bar appear along the top of the online platform with a countdown timer of how long you have remaining to cast your vote. You must be logged into the online platform

to cast a live vote. I confirm that I will vote all available undirected proxies that I hold as Chairman in favour of each resolution. During the meeting, we will display on the presentation slides the number of proxies received prior to the meeting on each resolution. The final results will be released to the market as soon as they are available.

If you experience any difficulties using the online platform, a helpline number is displayed at the top of the page. Please ring 1800 990 363. If we experience significant technical difficulties during the AGM, we will provide further instructions by market release and on our website. Shareholders, proxyholders and guests who have registered to watch the meeting will also be notified by a text where possible. Link Market Services is returning officer for this meeting. We also have a representative from KPMG overseeing fair and proper procedures in regard to shareholder votes.

The agenda for today's meeting is as follows. I will first deliver an address, commenting on the Company's progress and strategic priorities. Then Zlatko will speak to you about the first quarter trading and the Company's portfolio review. We will then address the formal items of business as set out in the Notice of Meeting. Let me know turn to my address.

The past year has been an extraordinary one with the challenges that our communities have faced. As calendar year 2019 came to a close and we moved into 2020, we were impacted by the devastating Australian bushfires. While Boral's people and sites were kept safe, in many communities we turned our efforts to help respond to the emergency. From a business point of view, we experienced substantial disruption including temporary site closures and evacuations, a substantial drop in demand and higher costs.

We then faced the global COVID-19 pandemic. After providing a safe environment for our people, our next priority amid the disruption and uncertainty was to safely supply customers where we were allowed and encouraged to do so. We have had a total of 381 confirmed cases among our employees since the pandemic began. These cases are predominantly in the USA where community transmissions are high. Sadly, two employees in the USA have passed away as a result of complications associated with the virus and an employee has lost his wife. As you can appreciate, this has had a devastating impact on our people and their families and we extend our heartfelt sympathy to those more directly affected by the virus and those who are living in areas of high community transmission.

While Boral continued to operate in many countries, we were substantially affected by slowdowns and temporary closure orders, particularly in Asia and North America, as well as higher costs, absenteeism and other disruptions. It has been a challenging year and a pivotal one for Boral. To tell you more about our year, I will cover four topics of interest before handing over to Zlatko Todorcevski for his first address as CEO of Boral. The four topics are: Boral's safety and financial results for financial year 2020; CEO succession and board renewal; the portfolio review, which we have now completed, and which Zlatko will expand on; and sustainability priorities.

Let me now turn to the results for financial year 2020 and let me start with safety. Boral's safety performance has improved significantly in recent years and with a recordable injury frequency rate of 7.6 in financial year 2020, our results held steady. The focus of Boral's people on health and safety and their commitment to delivering a culture of zero harm remains as our highest priority. Looking at Boral's financial year 2020 financial results, sales revenue from continuing operations of \$5.67 billion was down 1% in financial year 2020. This includes a 5% reduction in revenue from Boral Australia. The revenue from Boral North America was down 2% in US dollars, although due to favourable exchange rate movements, this translated to a 5% increase in revenue in our accounts.

While revenue from USG Boral does not appear in Boral's Group revenue due to joint venture equity accounting, the underlying revenue in the USG Boral joint venture was down 8%. Earnings in each division were down more substantially. Boral Australia EBITDA declined 25% on a comparable basis, EBITDA from Boral North America fell 28% and in the joint venture, underlying EBITDA was 25% lower. Higher costs, lower margins and COVID-related production slowdowns and disruptions impacted results in all three divisions. Overall for Boral, EBITDA was \$825 million for continuing operations and excluding the impact of the new IFRS leasing standard, which came into effect in financial year 2020, EBITDA was 29% lower than the prior year.

Boral's net profit after tax before significant items was \$177 million and excluding the new leasing standard, it was \$181 million, which was 57% lower than the prior year. In August, we announced a substantial non-cash impairment charge of AU\$1.35 billion. This related to assets within Boral North America including goodwill, intangible assets and Boral's investment in the Meridian Brick joint venture. It also related to certain assets in Boral Australia including in timber, and construction materials businesses in Western Australia and the Northern Territory.

The carrying value assessment took into account the increased demand uncertainty caused by the COVID-19 pandemic and potential longer-term impacts of prevailing economic and operating conditions, as well as recent operating performance of these businesses. Including significant items, Boral reported a statutory net loss after tax of \$1.139 billion, with \$1.316 billion of net significant items primarily reflecting non-cash impairment charges. Cashflow from operating activities of \$631 million reflected the strong cash preservation measures, which was a pleasing outcome in a very difficult reporting period.

After paying an interim dividend of \$0.095 cents per share on 15 April 2020, the Board determined not to pay a final dividend for financial year 2020. We made the decision to not pay a final dividend because of the significant uncertainty around earnings and the need to prudently manage the balance sheet. The decision was taken in the context of Boral's interim dividend representing about 63% of full year earnings, which is in line with Boral's dividend policy to pay 50% to 70% of earnings before significant items, subject to the Company's financial position. We maintained strong liquidity during the period, with Boral's net debt as at 30 June 2020, of \$2.2 billion, steady on the prior year. Zlatko will talk more about Boral's balance sheet and will also provide a first quarter trading update.

Let me turn to CEO Succession and Board Renewal. In recent months, Boral's Board and management renewal has been substantial. On 15 June, after a comprehensive search, we announced that Zlatko Todorcevski has been appointed as CEO & Managing Director, which came into effect 1 July 2020. Zlatko's appointment has proven to be an outstanding one and has been well received by our people, our customers and our investors. Zlatko has a strong track record as a senior executive and also has recent non-executive director experience including as Chairman of Adelaide Brighton and on the boards of Coles and Star Entertainment Group. He has now transitioned off these boards and is focused completely on Boral. More recently we have appointed a new Chief Finance & Strategy Officer, Tino La Spina, which was effective 14 October. Tino is also a highly credentialed executive with deep financial, strategic and operational capability.

We are also undertaking substantial Board renewal. We delivered on our plans to recruit two new directors with deep industry experience and finance capability, with the appointments of Rob Sindel and Deb O'Toole respectively, effective late September. Rob Sindel brings to the Board deep operational experience in building and construction materials and Deb O'Toole has extensive executive experience and finance capability, including as a former CFO in three ASX-listed companies. We announced that with Seven Group Holdings owning 19.98% of Boral's shares, that the Board considers a level of proportionate representation on the Board appropriate, subject always to the nominees being of a suitable calibre.

Ryan Stokes and Richard Richards were nominated to the Board as nominees of Seven Group, which the Board considered appropriate as both Ryan and Richard have experience suitable for directors and add to the skills and capability of the Board. However, Seven Group has withdrawn its nomination of Richard Richards for election by shareholders as a director. To ensure Boral's position is protected we have put in place a Board Information Sharing and Conflict of Interest Protocol, while recognising of course that Ryan is an experienced director who is fully aware of his fiduciary obligation to Boral and its shareholders. We will hear from our new directors later in proceedings.

At the conclusion of today's meeting, John Marlay who joined the Board in December 2009 and Eileen Doyle who joined in March 2010, will retire from the Board of Boral. On behalf of my fellow directors and shareholders, I thank both John and Eileen for their substantial contribution to Boral over the past 10 to 11 years, including as respective chairs of the Remuneration and Nomination Committee and also the Health, Safety and Environment Committee of the Board. We wish both John and Eileen all the very best.

Paul Rayner is standing for re-election at today's AGM and he will facilitate a smooth transition of the chairmanship of the Audit and Risk Committee in the months ahead. Paul is expected to retire during this next term of office. I am also standing for re-election today, after two years as Boral's Chairman. I have been requested by the Board and have agreed to stand for re-election to support leadership stability during this period of new renewal, on the basis that I will retire and there will be an orderly transition to a new Chairman in 2021.

Earlier today we announced to the market the outcomes of our portfolio review and specifically that we have reached agreement to sell our 50% share of USG Boral to our joint venture partner Knauf for an attractive price of US\$1.015 billion, subject to typical conditions precedent including in relation to regulatory matters. Zlatko will provide further details around the transaction and the portfolio review. But let me talk specifically about the Headwaters acquisition, which we made in May 2017 and which has failed to meet our expectations and those of our shareholders.

Acknowledging the underperformance, we have reviewed the Headwaters acquisition in very close detail, including engaging external advisors to undertake a review for us. The external review concluded there was a sound strategic rationale for the acquisition of the Headwaters Business and that a thorough due diligence exercise was undertaken. However, the price paid for Headwaters was full and allowed little margin of safety for the risk of disappointing market volumes and other downside risks as have since transpired.

The lack of risk margin in the acquisition price paid has been compounded by mixed post-acquisition execution, notwithstanding the strong realisation of synergies. The Board has taken actions, including leadership changes in the business, CEO succession and Board renewal and, of course, the portfolio review has been undertaken.

Through the portfolio review, opportunities for value creation have been identified and these are being pursued. Zlatko will cover these in his address.

Finally, let me talk about how we are building sustainability for our Company in the long term. During financial year 2020, we continued to progress towards the adoption of science-based carbon emission reduction targets and full alignment with the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures, TCFD, including further scenario analysis work.

Boral scope 1 and 2 greenhouse gas emissions reduced by 8% to 2.2 million tonnes of carbon dioxide equivalent in financial year 2020 and our emissions intensity reduced by 6%, largely reflecting lower production volumes.

With CEO transition complete, the portfolio review underway and the need to focus on managing through the COVID-19 crisis, we made the decision to wait until financial year 2021 to complete the necessary work to adopt science-based targets and carbon emissions reduction pathways so that we could take into account the outcomes of the portfolio review and clearly understand how Boral can deliver reduction targets aligned with the Paris agreement. Zlatko will comment further on sustainability matters in his address.

On behalf of the Board, I would like to thank all of our shareholders for your ongoing support and I thank all of Boral's people for their hard work and commitment throughout financial year 2020. It has been an extraordinary year of challenges and change and I am confident that the direction we are heading under Zlatko's leadership will deliver great outcomes for our people, our customers and our shareholders.

I now welcome Zlatko Todorcevski to provide his first address as CEO of Boral.

Zlatko Todorcevski: Thank you, Kathryn and good morning, ladies and gentlemen. As you know, I joined Boral on 1 July at the start of this new financial year. As Boral CEO and Managing Director, I recognise the enormous responsibility I have to you, our shareholders.

This is a great company and I'm very optimistic about the future of Boral. Today, in my first Boral AGM address, I'll talk to you about how our business has been trading in the first quarter of the financial year and update you on the portfolio review work we've been conducting and decisions we're taking to increase shareholder value.

Let me first focus on safety. I know safety has been an important priority to Boral and I'm equally passionate and committed to a culture of zero harm. Measures to help manage the risk of COVID-19 remain a key focus, including strict hygiene, social distancing, cleaning and quarantine protocols which are now part of how we operate.

Kathryn talked about Boral's reportable injury frequency rate of 7.6 for FY20 being broadly steady on the prior year. I'm pleased to say that the first quarter of FY21, this has reduced to 7.0. We did not have any reportable fatalities in FY20; however, in June 2020, a contracted driver was involved in a serious incident in Brisbane, sadly resulting in the fatality of a cyclist. A month later, an employee cement tanker driver was involved in a devastating crash that resulted in the death of a young girl and serious harm to several others.

We are deeply saddened by these tragic events and our heartfelt sympathy remains with those affected. These devastating events reinforce the need to stay vigilant and to continue to improve road safety for all users. The organisation's focus on safety is a critical aspect of Boral's culture that I'm committed to preserving and continuing to strengthen.

Kathryn has covered Boral's financial results for FY20. I won't repeat that information except to say this, a 55% decline in Boral's FY20 NPAT on a comparable basis excluding significant items clearly demonstrates that it was a very challenging year for the Company and we have a lot of work to do.

In addition, we recognise the significant non-cash impairment charge of \$1.346 billion. A total of \$1.2 billion related to the carrying value of assets within Boral North America, which took into account firstly increased demand uncertainty caused by the COVID-19 pandemic and potential longer-term impacts of prevailing economic and operating conditions. Secondly, recent operating performance of our businesses.

The remaining \$123 million of the impairment was in relation to construction materials assets in Western Australia and the Northern Territory, as well as roofing and timber assets in Australia, again reflecting lower market demand including the COVID-19 related economic downturn uncertainty.

The FY20 results were heavily impacted by COVID-19 disruptions as well as the Australian bushfires, several other one-off impacts and cyclical declines in the Australian and South Korean markets.

The first quarter of FY21 has seen fewer disruptions in most businesses relative to the previous six months, which is encouraging but it is still not business as usual. We are not seeing consistency in activity levels from month to month, which reflects ongoing uncertainty and challenges.

For the first quarter, Group revenue was down 9%, in part due to unfavourable exchange rate impacts while EBIT was down 5% on the prior comparable period. The EBIT margin for the first quarter, which is typically a seasonally stronger period, was 9.5% and compares with approximately 9% in the September quarter last year.

EBIT for Boral Australia was broadly steady on lower revenue relative to the September quarter last year with EBIT margin of 7.5% slightly better than the same period last year.

Earnings benefited from structured improvement programs which included headcount reductions in FY20 and early FY21. Last year, we had a \$10 million adverse impact in the September quarter due to disruptions in our Berrima and Peppertree operations, which were not repeated this year.

Concrete volumes in the September quarter declined 8% with weaker activity in New South Wales and Victoria, including the impact of stage 4 lockdowns in Melbourne. Quarry volumes were down 2% and asphalt volumes were also lower, driven by softer activity in New South Wales and Queensland.

We're continuing to bid for infrastructure projects that come to market but there is a slowdown in major project work moving into the execution phase. The Federal Government stimulus funding for infrastructure in the budget is encouraging but it will take time for any benefits to flow through to activity.

There were no earnings contribution from property during the quarter and for FY21, we expect property earnings to be below the long-term average of around \$35 million. We will provide further clarity on expected full year contribution from property with our half year results.

Boral North America underlying US dollar earnings declined on lower revenue but North America's EBIT margins for the September quarter of approximately 12% was slightly better than the same period last year, helped by a higher equity contribution from Meridian Brick.

US housing starts and repair and remodel activity have strengthened in the first quarter and there is evidence of positive momentum with some volume uplift in the month of September in stone, light building products and roofing. However, lead times are stretching out due to continued high levels of COVID-related absenteeism, supply-chain disruptions and challenges in increasing staffing to support higher production levels.

As a result, September quarter volumes in roofing, stone and windows were lower than the prior September quarter. Increased freight cost due to carrier shortages and COVID-related production and efficiencies are also impacting earnings.

Fly Ash volumes were down 11% in the September quarter relative to the September quarter last year, reflecting supply constraints due to COVID-related utility shuts and slowdowns and further closures in the south due to hurricane-related disruptions.

In FY20, we secured 1.3 million tonnes of additional contracted supplier Fly Ash, which will be progressively available from FY21. These volumes more than offset recent contracts that have ended or are not renewing. While we're continuing to work on network optimisation and bringing new supply to market as quickly as possible, FY21 may be impacted by phasing of volumes rolling off ahead of new contract volumes being available, as well as the continuing utility supply constraints.

In USG Boral, we're getting back into a better rhythm with less COVID plant shuts and disruptions. However, general uncertainty and cyclical pressures in Australia and South Korea and soft trading conditions in Thailand continue to impact demand. We are, however, seeing a strong uplift in plasterboard volumes in China.

Underlying revenue for the September quarter was lower than the prior September quarter but underlying EBIT was slightly better. Plasterboard volumes declined by 7% in Australia and 6% in Asia. Prices in Australia were also softer.

Earnings benefited from the cost excellence programs which included procurement savings, headcount reductions in late FY20 and early '21 and operating efficiency improvements. Boral's equity income from the joint venture for the September quarter was steady on the same period last year.

Over the last three months, we've completed a very thorough review of Boral's portfolio of businesses. The approach was run internally and not by external investment banks. We've assessed every business in every geography, looking at Boral's positions, strengths in the sectors in which we operate, the future earnings and growth potential for each business and what is needed to drive a sustainable, competitive advantage and deliver improved performance in the short, medium and longer term.

We've also considered requirements for capital, investment opportunities and where management focus is best prioritised for the longer term. In many cases, the work we've done has confirmed what we believed. In other cases, it has shone new light on the challenges and opportunities our businesses face.

What the portfolio review has highlighted is that there are significant opportunities for improvement in almost every business we own, necessitating a considered and measured approach to how we move forward.

Saying that, after an extended period of fully assessing the options available to Boral, we've reached a binding agreement with Knauf to sell our 50% interest in the USG Boral joint venture, subject to typical conditions precedent, including in relation to regulatory matters.

This has been a tough decision because USG Boral is a very good business with strong market positions in mature and emerging markets and growth prospects in Asia, particularly. However, the offer from Knauf was compelling and as such, we believe the sale was an attractive strategic and financial outcome for Boral and our shareholders.

The price agreed of US\$1.015 billion, plus cash and working capital adjustments for Boral's 50% share equates to an implied multiple of 15.1 times USG Boral's underlying normalised FY20 EBITDA and 11.4 times for the joint venture's underlying FY19 EBITDA earnings.

Prior to the transaction closing, Boral will receive a normal dividend of US\$32 million. The transaction is expected to complete in FY21. If the transaction is not closed by 30 September 21, where Knauf has not completed certain divestments required by regulators, then if either party terminates, Knauf must pay Boral a termination fee of US\$50 million.

Given that Knauf is the global leader in plasterboard with world-leading product technology and innovation capabilities, this is also a very good outcome for USG Boral's employees and customers. Knauf is well placed to leverage the future growth potential of this business.

In Australia, the portfolio review highlighted the underlying strength of our integrated quarries, cement, concrete and asphalt businesses, including Boral's excellent vertical integration in key regions, particularly in New South Wales and along the east coast. We have innovative products and a strong brand. We've made recent generational investments in quarries, but now need to deliver results. We have good property positions, with integrated land assets, that can also deliver value when operating sites come to the end of their operational life. But we also know that our cost base is higher than it should be and that we can deliver much better operating leverage from our assets.

I've been working with the leaders in our businesses to understand how we can better serve our customers, better leverage our assets and operations, and better engage our people to deliver improved outcomes for our shareholders. Where we can roll out products and initiatives faster for our customers, we're focused on doing that. We accelerated the deployment of our sustainable product solutions, including our low-carbon, high-performance concrete, ENVISIA. Penetration of ENVISIA is now very encouraging as we've secured supply on numerous projects across all regions.

Under the leadership of Wayne Manners, we've been prioritising opportunities to improve margins and returns through a leaner, more nimble organisation in Australia. We have more work to do to fully develop these plans in the coming months. We'll update the market once the program, value and timeframe has been fully developed and defined. We've also identified adjacent growth opportunities in Australia that are potentially extensions of our existing business and deserve further examination.

Finally, in relation to our Australian business, we've considered our property portfolio. Approximately 90% of our property portfolio is committed to active operations, limiting our ability to unlock the value in the near term. However, we are accelerating work to implement identified opportunities to realise greater value from our property portfolio. This includes expediting activities where work is already underway, to generate earnings from the property development,

divestment, and landfill and recycling opportunities. We're also reviewing our networks in key regions to make available a number of sites that were previously viewed as essential to our operations.

In North America, we have high-quality building products businesses in attractive sectors across roofing, light building products and stone. Our building products businesses have strong brands and good positions in many geographies. However, the portfolio review has confirmed that we have not yet unlocked the full value of these businesses and they have the potential to earn stronger returns through the cycle. We've identified operational improvements and ways to enhance go-to-market strategies in order to strengthen returns.

Product innovation is also an important area of focus, with a series of projects in the pipeline, particularly in roofing and stone, with some close to launch. We've also identified cross-business opportunities that we have not yet leveraged. For example, in a small number of geographies we're trialling a new approach with national home builders, where we are positioned to provide a single service and product offering. Early outcomes of these trials are very positive.

Under the leadership of Darren Schulz, the team has commenced execution on many of these opportunities, and we intend to pursue a value inherent within these businesses. It may not be surprising to shareholders that, with the industry fully aware that we've been undertaking a global portfolio review, we've been approached directly and indirectly with third-party interests in our US assets. As would be expected, we intend to explore third-party interests in our North American building products businesses to assess if there are enhanced value creation opportunities. We will only entertain third-party interests where a superior value outcome is achievable for our shareholders.

In addition to our fully owned building products business, we have our 50% owned Meridian Brick business, which is continuing to improve as a result of an effective turnaround program. We're working with our joint venture partner, Lone Star, to consider opportunities for further value creation and the optimal way forward for the business.

Finally, also in North America is our fly ash business, which is an attractive, cash-generating business with a leading position, strong returns on capital and a solid customer demand profile. The decline of coal-fired power generation necessitates the development of alternative supply options to sustain the attractive return profile longer term. We're bolstering resources to fully assess and evaluate import options.

We're taking the learnings from our pilot landfill harvesting operation at Montour, in Pennsylvania, to assess how other harvesting opportunities can add to our fly ash supply. Similarly, we're executing on our Kirkland natural pozzolan project which will confirm the viability of natural pozzolan as an alternative supply stream. While headwinds remain, we're focused to ensure that the business is able to deliver acceptable margins and returns in the future.

I'll now touch on Boral's balance sheet. At 30 June 2020, Boral's net debt of \$2.2 billion was in line with the net debt at 30 June 2019, which, given the COVID-19 crisis, was a good outcome. Boral's level of debt is higher than I believe is ideal, but we remain well within all of our group funding covenants and have ample liquidity headroom. Our principle debt gearing covenant was 41%, up from 30% at June 2019, which remains well within our threshold of less than 60%. About 5% of the increase since June 2019 relates to cash drawn. The other 6% relates to the impact of the impairment charge we took.

Our tangible net worth position at 30 June 2020 was \$2.3 billion after the impairment charges, exceeding the covenant of greater than \$1.75 billion. Following completion of the two-year bilateral loan facilities, of about Australian \$359 million in May 2020, as well as a US\$200 million US private placement, our weighted average debt facility maturity is 4.7 years, up from 4.5 years at June 2019.

Boral's liquidity at 30 June 2020 was Australian \$1.66 billion, including cash of around \$900 million. Since 30 June, Boral's liquidity has increased to Australian \$1.76 billion due to the receipt of proceeds from the sale of Midland brick and strong cash generation in the first quarter of FY21. Net debt has reduced to Australian \$1.956 billion.

We remain focused on balance sheet management, including maintaining an optimal capital structure consistent with investment-grade credit metrics. Once completed, the net proceeds from the sale of our USG Boral assets will be applied to reduce our net debt and fund growth investment in the retained portfolio. To the extent we assess we have capital surplus to our needs in the medium to longer term, we'll consider how best to return that surplus capital to shareholders. We also continue to focus on disciplined costs and capital expenditure management.

Before I close, let me briefly add to the comments made by Kathryn in relation to sustainability. The FY2020 Boral Review and Sustainability Report provides shareholders with information about our sustainability priorities and progress, including health and safety, our people, environment, climate impacts, supply chain management, sustainable products and community impacts. This year we published our first Modern Slavery Statement, which is also available on our website.

There has been some great work done in Boral, including around reducing emissions, our reconciliation action plan and the development of high-waste content and low-carbon-intensive products. However, we have more to do. We're focused on setting further sustainability objectives and targets in FY21, including completing the work to set science-based emission reduction targets that align with the Paris Agreement and that are in the context of our portfolio review. We're committed to safety, while strengthening Boral's culture around innovation, customer solutions, and ensuring Boral is a great place to work for our people.

For FY21, our immediate priority is to maintain a safe and careful response to ongoing COVID developments, including flexing production to align with demand and avoiding unintended inventory builds. We're focused on recovering and strengthening margins, improving return on capital employed, maintaining strong cashflows, and fully exploring the opportunities and rolling out the improvement actions identified through the portfolio review. Given the continued uncertainty and lack of visibility around market outlook, we're still not in a position to provide guidance for FY21.

I thank you, our shareholders, for your ongoing support and patience. I want to also thank our Boral team for their hard work and commitment to supporting our customers.

Kathryn Fagg: Thank you, Zlatko. We will now move to the items of business. The first item of business is to consider the financial report, the directors report and the auditor's report for the year ended 30 June 2020, which is set out in the 2020 annual report. While there is no vote on this item, shareholders have the opportunity to submit questions on the reports during discussion. Ken Reid, our external auditor from KPMG, is available to take questions about the conduct of the audit and the preparation and content of the independent audit report, the accounting policies adopted in preparing the financial statements and the auditor's independence.

I will now take questions received through the online platform on this item. To assist me I will be calling on Boral's Group Communications Director, Kylie FitzGerald. Kylie, can I request if there are some questions for me to address.

Kylie FitzGerald: Thank you, Chairman. Yes, I have a series that we've received in advance and then a number that are coming through the online platform. The first question is from Stephen McMahon. When will dividends resume and what is the outlook for dividends per share and earnings per share for FY21 and beyond?

Kathryn Fagg: Thank you, Mr McMahon. As Zlatko mentioned, we have not provided earnings or dividend guidance. We have provided some guidance - some commentary, sorry, on revenue, EBITDA and margins for the September quarter relative to the prior period, to help people understand what our trading has looked like. Quarter 1 financial year 2021, group revenues were down 9%, in part due to unfavourable US-dollar exchange rate impacts, while EBIT was down 5% on the prior comparable period. EBIT margins for the quarter were 9.5%, which was slightly higher than the September quarter last year and compares with 5.7% in financial year 2020.

Given the continued uncertainties, we are still not in a position to provide earnings guidance. Our long-held dividend policy targets a payout ratio of 50% to 70% of earnings before significant items, subject always to the Company's financial position. In financial year 2020, the interim dividend represented 63% of earnings. The Board understand the

importance to shareholders of dividends. The decision we make in relation to dividends will take into account shareholder expectations and, ultimately, Boral's financial position. Kylie, can I see if there are further questions, please?

Kylie FitzGerald: Yes, the next question is from Natasha Lee. I note that audit services increased to \$3.314 million from \$2.756 million in 2019. This is a 20% increase and does not seem justified, especially in a low-inflation, low-growth environment. Whereas total audit fees increased 9%, to \$4.55 million, which also does not seem justified. Could you please advise the reasons for these increases?

Kathryn Fagg: Thank you for your question, Ms Lee. In light of the internally identified windows irregularities in North America, the Board, through the Audit and Risk Committee, engaged our external auditors to perform extended assurance procedures at lower materiality levels to provide comfort to ourselves as well as to our shareholders that the irregularities were isolated to the Windows business and not pervasive across the Group.

As disclosed in our release to the ASX on 10 February of this year the Board requested KPMG to expand the scope of their interim review procedures for the half year ended 31 December 2019 to include audit procedures over the Boral North America business including a separate audit of the Windows business. KPMG has reported to the Board that the half year financial report of the Windows and of Boral North America as a whole were fairly started at 31 December 2019.

Boral's Board and Management are confident that the accounting issues were contained to the Windows business only. KPMG has been asked to include the Windows business as a full scope component in its audits of Boral North America going forward. This additional work increased the audit costs for the year. However, we believe that it was a cost that needed to be incurred to provide the assurance that we required.

Back to you Kylie.

Kylie FitzGerald: Thank you Chairman. The next series of questions are more of the nature of general business. The next question is from Stephen McMahon. What, if any, is the impact of COVID and what is likely to change temporarily and permanently?

Kathryn Fagg: Thank you for the question. Obviously, the impact of COVID-19 for us has been very profound as we have already covered in both my address as well as Zlatko's. In terms of the financials, in the second half of financial year 2020 we had a \$65 million adverse impact on earnings in Boral Australia and Boral North America as a result of COVID. In USG Boral there was a \$10 million direct and a further substantial impact as a result of lower sales volumes.

In financial year 2021 the business environment remains challenging and there is ongoing uncertainty due to COVID-19 so it is difficult to say what changes are likely to be temporary or to be permanent. Safety does remain our first focus. Measures to manage the risk of COVID-19 such as strict hygiene, social distancing, cleaning and quarantine protocols are now part of how we operate and we continue to focus improvement initiatives to recover margins and reduce costs and also look to maintain strong cash conversions in the Company. We also continue to focus on disciplined cost and CapEx management.

To the next question Kylie.

Kylie FitzGerald: Thank you Chairman. The next question comes from Ian Anderson representing the Australian Shareholder's Association. You have been flagging housing downturns and infrastructure delays in Australia for several years now but still apparently haven't been able to adjust cost structures to maintain profitability. Is there a problem with Boral's forecasting and response mechanisms and what steps are you taking to improve the situation?

Kathryn Fagg: Thank you Mr Anderson and just again let me say how much we appreciate the engagement of the Australian Shareholder's Association. To talk about our business, the markets in which we operate, both housing construction and infrastructure, are subject to market cyclical fluctuations and they can be difficult to forecast. This year the disruptions and slowdowns caused by the pandemic have added to the impacts of the cyclical decline in residential markets in Australia and in our core USG Boral market of South Korea. In saying this, there's always room to improve and Zlatko is focused on making improvements to the way the business operates that will help the organisation to be more responsive and have a greater focus on strategic marketing and being closer to our customers.

Next question Kylie.

Kylie FitzGerald: Thank you Chairman. It comes from Stephen McMahon. Can you please comment on the Federal Government's recent policy announcements and the likely impact to Boral?

Kathryn Fagg: Yes. In relation to infrastructure the Government's stimulus measures are aimed at reducing the design and development phase to around 21 months. So while we are seeing some early tendering activity in some states, we don't expect to see any material benefit in financial year 2021 in terms of projects being executed. In terms of Government home building grants and stamp duty, it is too early to see any benefits or impacts and those benefits are likely to materialise through the second half of financial year 2021. We also need to be mindful of the void that the current lack of migration will create although the Government's measures should fill some of the expected gap. Also, commercial construction may be impacted as a result of lower demand for office space in particular.

Thank you, Kylie.

Kylie FitzGerald: The next question is from Stephen McMahon. Can you please provide to shareholders a comprehensive response to the October 2020 letter sent from Paul Skamvougeras at Perpetual Investments and John Wylie from Tanarra Capital to Boral Chair Kathryn Fagg in relation to the appointments given to Seven Group disproportionate representative on Boral's Board and governance issues raised?

Kathryn Fagg: Thank you Mr McMahon for that question. In mid-October we released to the ASX and also posted to our website a comprehensive Q&A response to the issues raised in the letter from Perpetual and Tanarra and which was reported in the media. It provided details of the protocols that we have in place with Seven Group Holdings. The protocol stipulates that the independent directors must be in a position where appropriate to ensure that any Seven Group Holdings nominee directors is excluded from decisions or matters where a material conflict of interest may arise, including when other directors consider the interests of Seven might diverge from the interests of other shareholders.

This protocol also includes requirements in relation to the confidentiality of Boral information. The protocol is stronger than other market precedents given the right of the Chairman in consultation with independent directors to call a conflict without legal challenge which was a Boral non-negotiable and we ensured that it was understood and accepted by all directors and also by Seven before the nominee directors were appointed. One aspect that was not standard was, as we disclosed, the commitment from Seven that if its interests fall below 15% then Boral could ask them to procure that Ryan and Richard step off the Board unless our preference is for them to stay. Seven Group Holdings has also withdrawn its nomination of Richard Richards for election by shareholders as a director. The Board continues to believe that proportionate representation on the Board for significant shareholders, subject always to the calibre and experience of the directors, is appropriate.

Thank you, Kylie.

Kylie FitzGerald: Thank you Chairman. The next question is from Helen Haysom, Kirsten Polmear and Loren Miller. How is Boral progressing on achieving diversity in senior management roles? This also delivers benefits to shareholders.

Kathryn Fagg: Thank you for this question. I personally am very committed to diversity and I can assure you Boral is as well. We have a Diversity and Inclusion Plan that provides a framework that supports our commitments to a diverse and inclusive workplace and culture. It focuses on six key areas including gender equality. A key priority for us is including the representation of women at Boral, particularly in leadership roles. In financial year 2021, sorry, in financial year 2020, the year just passed, women represented 35% of professional positions which was compared with 33% in the prior year and 27% of executive committee members. We work hard to increase the representation of women with a particular focus on our recruiting efforts. In financial year 2020, 23% of new hires were women.

Kylie, another question.

Kylie FitzGerald: Thank you Chairman. The next question is from Jo Whitehead and Dr Louis Whitehead. What steps will Boral take to reduce Boral's footprint on the environment?

Kathryn Fagg: Thank you. This is an area of key focus for us and our aim is to mitigate the environmental impact from our operations and wherever possible, eliminate them all together. Our 2020 Sustainability Report outlines the performance, priorities and outcomes for financial year 2020, including an 8% reduction in greenhouse gas emissions and a 7% reduction in energy consumption. In addition, we are focused on growing our lower carbon higher recycled content products which represented 15% of our revenues in financial year 2020 versus 13% in financial year 2019, the prior year.

Next year, in addition to reviewing science-based emission targets, Zlatko and the Executive Team is focused on strengthening Boral's sustainability strategy objectives and targets to align with the portfolio review findings. These include focusing on improving water efficiency, reducing waste generation and increasing use of recycled materials in our products that form part of the broader strategy. We are also advancing a range of new business level plans and targets. These focus on improving also water efficiency, reducing waste generation and increasing use of recycled materials in our products.

Kylie, if we could move to the next question.

Kylie FitzGerald: Thank you Chairman. The next question is from Natasha Lee and we have received a similar question from Peter Gregory. I note that energy consumption decreased 7% across the Group, although this was caused by lower production and COVID impacts. Would energy consumption decrease if production had been at the same level as last year? If so, by what percentage?

Kathryn Fagg: Thank you for the question Ms Lee and Mr Gregory. The 7% reduction in our energy consumption was largely driven by the decrease in production which of course was related to COVID-19 related impacts. We have acknowledged that our ability to already meet our short-term goal of a reduction in emissions intensity by 10% to 15% was due to the impacts of COVID. If production was the same as last year, we would have expected broadly steady energy consumption with efficiency gains of having a material impact. Our strategy of exiting energy-intensive brick operations saw us divest the Midland Brick business which closed in September this year. As a result, we would expect to see Boral's energy consumption decline in financial year 2021.

In financial 2021 we will complete the necessary work to adopt science-based targets and carbon emissions reduction pathways taking into account the outcomes of the portfolio review that has now been completed and to ensure alignment with Boral's broader sustainability and business strategy.

Kylie, back to you.

Kylie FitzGerald: Thank you Chairman. The next question is from Edmond Ansell and we have received a similar question from Fairlane Super (Pty Ltd). The question is, can Boral produce all of its energy needs from renewable

hydrogen and sell anything in excess of its own needs into the emerging hydrogen market helping to minimise climate change?

Kathryn Fagg: Thank you for this question around the hydrogen industry which is clearly very significant and of great interest to the nation. In Boral's case energy production is not our core business, however we are looking at opportunities to increase our use of renewable energy. Over time and as the technologies become more common and more cost effective, this may include using renewable hydrogen.

Since 2018 we've had a low carbon fuels program at our Berrima cement plant. In financial year 2020, this solid waste derived fuels facility has reduced our carbon emissions by about 25,000 tonnes of carbon dioxide equivalent. The facility uses wood residues such as untreated sawdust, pellets, bark chips and milled offcuts and refuse-derived fuels sourced from commercial wastes such as paper, cardboard and packaging. We have plans in place to substantially increase the use of alternative fuels at Berrima over the next several years, subject to regulatory approvals. This has the potential to reduce our carbon emissions by more than 150,000 tonnes.

We are also looking at other ways to broaden waste to energy opportunities. In financial year 2020 we undertook a review of longer-term carbon emission reduction targets consistent with the science-based target initiative methodology, including early development of possible emissions reduction pathways. In financial year 2021, we will conduct further analysis of the possible pathways to strengthen our confidence in meeting science-based targets. We will also complete the necessary works to adopt science-based targets and carbon emissions reduction pathways, taking into account the outcomes of the portfolio review that has been undertaken and to ensure alignment from Boral's broader sustainability and business strategy.

Kylie, returning to you.

Kylie FitzGerald: Thank you Chairman. The next question is from Stephen McMahon. What are Boral's threats and opportunities and what are the financial year 2021 action plans, the medium, long-term strategy and how will this drive growth?

Kathryn Fagg: Thank you for the question. As you've heard in Zlatko's address today, the portfolio review has effectively looked at the threats and opportunities for each of our businesses, both here in Australia and internationally. To briefly recap, in North America we strongly believe that Boral's building products business has the potential to earn improved returns through the cycle and we are taking steps to strengthen returns through operational improvements, product development and enhanced go-to-market strategies and to better position the business to leverage the cyclical recovery in US markets.

At the same time, we plan to explore third party interest in our North American building products businesses to assess if there are enhanced value creation opportunities beyond the prospects we see for business improvement outcomes. We will fully assess divestment opportunities but will only consider third-party interests where a superior value outcome is achievable for shareholders.

We remain focused on the fly ash business in North America and we are bolstering resources to expedite strategies to secure viable alternate sources of fly ash supply, including harvesting from landfills and wet ponds and the use of natural porcelains. In Boral Australia, we have outstanding assets and positions, however there are significant opportunities to deliver stronger results. Therefore plans are progressing to strengthen Boral Australia so that it is more customer focused, nimble and cost efficient. Medium-term adjacent growth opportunities are also being fully explored, including extensions of recycled concrete and asphalt, development of supplementary cementitious materials and related products and potential extension of our landfill strategy in Victoria to other regions.

Any further questions, Kylie?

Kylie FitzGerald: Yes, thank you Kathryn, we've received some through the online platform. The first question is from Les Mitchell. At the last AGM Boral stated that it has discontinued its woodchip business. Can Boral guarantee shareholders that none of its wood is being chipped and/or processed into wood pellets for electricity production by other businesses such as Vales Point Power Station? If so, how much?

Kathryn Fagg: I will respond to this particular question, but I will ask Kylie to direct the more operational question to Zlatko as we go forward. But in this particular question, I can assure you that the use of the material at this point is used for landscaping purposes where people are involved in natural landscaping.

Thank you, Kylie.

Kylie FitzGerald: Thank you, Kathryn. Yes, I do have a series of operational questions. The next one is also in relation to our timber business. In New South Wales there is no legal requirement to check for koalas before logging on private land. Is Boral taking timber from private land and if so, what assurances does Boral have that the land in question is not koala habitat?

Kathryn Fagg: I think this is a good point for me to transition to Zlatko, picking up on this series of questions. Can I hand over to you, Zlatko?

Zlatko Todorcevski: Thanks Kathryn. From time to time we do take timber from private properties, but this generally equates to a very minor amount, about 1% to 2% of the timber that we do take. Private landowners are subject to a range of environmental requirements and regulations which we ensure we follow. Thanks Kylie.

Kylie FitzGerald: The next question is from Les Mitchell. Multiple organisations have urged for a moratorium on logging during and after the catastrophic bushfires. Forestry Corporation of New South Wales and its watchdog, the EPA, agreed to change logging rules to better protect animals that survived the fires, but Forestry Corporation has reneged on the agreement. How can Boral justify benefiting from continuing to log the remaining habitat of surviving species?

Zlatko Todorcevski: Thanks for that question. It's important to keep in mind that the Forestry Corporation and the EPA work collaboratively on the best way to manage the forest resources. EPA approval is sought before harvesting is conducted in any of the five impacted forests. Discussions are currently underway around transition back to normal operating conditions in some of these areas and those discussions are ongoing. We're committed to working with the relevant authorities in the best way forward to manage these forest resources.

Kylie FitzGerald: Thanks Zlatko. The next question is from Tom Ferrier. Local residents of Logans Crossing, Herons Creek, Kew and Kendall are strongly opposed to the potential of a heavy industrial biodiesel plant on their doorstep. Not only will their healthy lifestyle be impacted, but their property values will plummet. Can you reassure these residents that this damaging and unpopular heavy industry will not be located at Herons Creek or Kew?

Zlatko Todorcevski: Thank you for the question, Kylie. Just as context, with the benefit of a government grant, we've been investigating the potential of converting sawmill residue, which is a waste product, into renewable diesel. This review is ongoing, we have not yet determined the path to commercialisation. We are a long way from determining whether this is a commercial investment we intend to make or where we might locate such an opportunity if that investment were to proceed.

Kylie FitzGerald: Thanks Zlatko. The next question is from Natasha Lee. While I am aware Boral uses fly ash in concrete production, to what extent, if any, does Boral use crushed recycled glass cullet as a sand replacement?

Zlatko Todorcevski: Yes, thank you for that question. We obviously use and evaluate various options to replace natural sand. Recycled glass is one of those options we are investigating and we're using, but we continue to evaluate multiple other different opportunities as well.

Kylie FitzGerald: Thanks Zlatko. The next question is from Peter Berger. Is the new management going to continue the research production and use of recycled tyres into road base mixtures?

Zlatko Todorcevski: I can categorically confirm that will continue to be something that we evaluate and we are looking at all options to use recycled products, including glass, plastics and rubber or tyres into our asphalt.

Kylie FitzGerald: The next question is from Frank Dennis. In 2020 the New South Wales Upper House report into the state's koala populations and their habitat found that logging in public native forests in New South Wales has had cumulative impacts on koalas over many years because it has reduced the maturity size and availability of preferred feed and roost trees. At last year's AGM Steve Dadd stated that Boral was committed to koalas. How can Boral justify continuing to log koala habitats in light of these findings and subsequent legal proceedings?

Zlatko Todorcevski: Thank you for that question. The State Government in New South Wales is in the process of finalising the koala habitat protection State Environment Planning Policy, also called the SEPP and part of that SEPP is in the change of the definition of trees that are defined as core koala habitat. Increasing the number of trees captured within that regime from 10 to 123 tree species. The new definition includes all the native species that are commercially harvested within New South Wales. The new definition of core koala habitat is used simply to broaden the scope of areas that koalas may be present to ensure adequate searches are conducted prior to harvesting. The standard environmental licence that Forest Corporation operate under already requires these searches to take place. Native forestry in New South Wales is some of the most heavily regulated in the world and Forest Corporation New South Wales are regularly audited by the EPA to ensure compliance.

Kylie FitzGerald: Thank you, Zlatko. We have the next two questions from Michael Staindl. The first question is: Boral has committed to setting science-based targets and emission-reduction pathways in FY21, can the Board give an indication of where the process is at and when we can expect to see those targets and plans disclosed and will you set targets to include Scope 3 emissions?

Zlatko Todorcevski: Thank you for that question. We are conducting the emissions pathway work including our ability to commit to Scope 3 targets in line with science-based targets initiatives and the methodology that entails. The science-based target methodology requires us to set a target for Scope 3 where it counts for more than 40% of our total Scope 1, 2 and 3 emissions, which is the case for Boral. In FY20 we undertook a review of longer-term carbon emissions reduction targets, consistent with the science-based target initiative methodology, including early development of possible emissions reduction pathways. We're now conducting further analysis of possible pathways to strengthen our confidence in meeting science-based targets. During FY2021, we will complete the necessary work to adopt science-based targets and carbon emission reduction pathways, taking into account the outcomes of the portfolio review and as part of this work, we will consider setting short, medium and longer-term targets.

Kylie FitzGerald: The next question from Michael Staindl is: Boral's 2019 review identified physical risks, climate risks in the medium to long term, 10 to 20-plus years. Last summer's Australian bushfires cost the Company \$25 million in earnings. This year's review correctly recognised physical climate risk as a short-term and ongoing issue. Why did Boral fail to recognise physical climate impacts as short-term risks in 2019 review and wouldn't Boral have been better prepared to manage physical risks like worsening bushfire conditions if it had got the risk assessment right in 2019?

Zlatko Todorcevski: Let me first say, I think that's an important question. In the time that I've been with Boral since 1 July, we've had the opportunity to really look at some of the risk assessment and particularly the physical risks that have gone into some of our climate-related impacts assessment. I've been very pleased with the work that's been done during FY20 and that will inform the work that we then do in FY21 around setting short, medium and longer-term targets off the back of those risks. It will also inform our thinking around science-based targets that we will, as I said earlier, commit to announcing and setting in FY21.

Kylie FitzGerald: The next question is from Stephen Mayne. Could Zlatko and Kathryn please outline how the engagement with Seven Group Holdings rolled out over the past six months? Were there any communications or meetings directly with Kerry Stokes?

Kathryn Fagg: Well I'll take that question, thank you, Kylie, and let me assure everyone listening that we engaged with Seven when they became a significant investor in Boral, as we would with other investors and therefore we of course engage but also, we're very prudent in the discussion we had with them.

Since they took a 19.98% stake in the Company, obviously those discussions changed in terms of the possibility of Seven Group Holdings joining the Board. That is why it was so important that we develop both the protocol and the confidentiality agreement, key features of which, we have released to the market.

In terms of the specific question of whether I have spoken to the chairman of Seven Group Holdings, Mr Kerry Stokes, yes, I have but my main relationship, as everyone would expect is with Ryan Stokes and also the CFO of Seven Group Holdings, Richard Richards, who is with us today.

Kylie FitzGerald: Thank you, Chairman. The next question is from Jay Seneviratne. What is the capital injection plan for 2021?

Zlatko Todorovski: Thank you for that question. In relation to the capital investment planned for FY21, we haven't provided guidance for this year, considering the conditions that we're facing in a number of our markets. I will say that we are managing capital very, very prudently at the moment and it's likely to be lower than recent years but we do have a number of attractive re-investment opportunities that we've identified through the portfolio review that we are evaluating and if they meet our hurdles and we believe that we can pursue them during the current year, we will execute on those but it's in the context once again of the challenging market conditions that we are operating in.

Kylie FitzGerald: Thank you. The next question is from Daniel Goshier. Boral claims to have reduced its scope 1 and 2 emissions by 44% since 2005, primarily through offshoring clinker manufacturing to Asia. How much have Boral's scope 3 emissions increased since 2005?

Zlatko Todorovski: Just as context, half of the 44% reduction in scope 1 and 2 emissions is from reducing our clinker manufacturing in Australia in favour of importing from more efficient and larger scale operations offshore. The other half of this decrease was achieved by re-aligning our portfolio away from emissions-intensive businesses such as brick manufacturing.

We've been importing instead of manufacturing at Waurn Ponds as an example since FY14 but we've only recently been reporting on scope 3 emissions for an imported clinker and that commenced in FY18, so we don't have the base to FY04.

Kylie FitzGerald: Thank you. The next question is from Malcolm Cousland. Will the Board commit to holding future AGMs with a face-to-face component when it is safe to do so?

Kathryn Fagg: Well thank you, that's a question for me. The answer is of course we are virtual this year in - as a result of the particular circumstances and going forward, we will be considering what is the best option but as always, safety will be our first priority.

Kylie FitzGerald: Thank you, Chairman. The next question is from Stephen Mayne. Could Ryan Stokes please outline how much information he will tell his father, Kerry Stokes and the other Seven Group Directors about information he learns or receives once inside the Boral boardroom?

Kathryn Fagg: Thank you, Kylie and again, I'm going to draw people's attention to the fact that we have put out a summary of the key features of both the protocol and the confidentiality agreement between Boral and Seven Group Holdings, so it is very visible what the arrangements are between Boral and Seven Group Holdings.

Kylie FitzGerald: Thank you, Chairman. The next question is also from Stephen Mayne in relation to the election of Rob Sindel as a Director. Does Rob have the time and would he potentially be interested in serving as the Chairman of Boral once Kathryn Fagg retires? Has Rob had any preliminary discussions with the Stokes' interests about this?

Kathryn Fagg: Can I - I'll take that question of course, Kylie, and first of all, can I just say the Board was absolutely delighted when Rob accepted our invitation to join the Board of Boral. People would know that Rob was a very successful CEO at CSR but he also has experience in construction materials earlier in his career.

We were delighted that Rob was joining the Board. I think any other discussion would be premature.

Kylie FitzGerald: Thank you, Chairman. The next one is also from Stephen Mayne. Even the poorly governed Crown Resorts agreed to post a transcript of its full AGM debate on its website after receiving dozens of online questions during last week's AGM. In order to maximise access to your AGM, could you undertake to follow Crown's lead and post a full transcript of the Boral AGM on your website next week?

Kathryn Fagg: Thank you, Kylie and just - it is actually our usual practice to have the AGM webcast available on our website in the coming week but let's take on board the question of whether we could have a transcript as well. But the webcast will definitely be available.

Kylie FitzGerald: Thank you, Chairman. The next question is from Anthony Nguyen. Mr Todorcevski mentioned that reduction of cost is a key area of improvement for financial year 2021. What are the identified opportunities and is there a plan and roadmap for this?

Zlatko Todorcevski: Thank you for that question. It's important to recognise that a lot of work's been done on cost right across all of our businesses over the last two years but we need to re-set the cost base, both in Australia and in North America, to ensure our businesses can better deal with those challenging market conditions that we're facing at the moment.

We've developed numerous options, many of which are in train, covering opportunities in the operations, our supply chains and particularly in support functions. There are a number of other options that are being developed and investigated at the moment with a focus on executing on these as quickly as we can.

Kylie FitzGerald: Thank you, Zlatko. The next question is from Stephen Mayne. Could Zlatko please address the ethical issue of him going from being deputy chairman of Adbri to CEO of competitor, Boral, with virtually no gardening leave break. Is it ethical for directors to join competitors like this? Could Kathryn address the issue of whether Boral should seek undertakings from directors that they won't do the same thing?

Kathryn Fagg: I think it's appropriate that I take the full question from Mr Mayne and I can assure you that we were very appropriate and careful in our engagement with Zlatko when we were discussing with him the possibility of taking the role as CEO of Boral and that we were very careful in terms of information that was made available to - before him - he accepted the role.

Subsequently, we have appropriate arrangements in place to avoid any conflict at all. I don't think there's any need to go further than that, Kylie, but there were certainly - we are very conscious, as is Zlatko, of expectations and obligations.

Kylie FitzGerald: Thank you, Chairman. The next question is from Stephen Mayne. A question for Zlatko. The *AFR's* Rear Window columnist, Myriam Robin took a shot at Zlatko recently because Brambles announced a profit downgrade

nine weeks after he resigned as CFO in 2016. Could Zlatko address the suggestion that he was hiding bad news before exiting Brambles and also outline his main achievements as Brambles CFO?

Kathryn Fagg: Kylie, I of course will jump in here and take that question and we certainly are very familiar with the background details of Zlatko's executive career, which was very storied and of course as well as his experience as a non-executive director over the last couple of years.

Zlatko is clearly held in the highest regard by the colleagues with which he has worked over many years and certainly, there were no concerns that we had and I can assure everyone that we fully did reference checking, as you would have expected us to.

Kylie FitzGerald: Thank you, Chairman.

Kathryn Fagg: Kylie.

Kylie FitzGerald: The next question is from Les Mitchell. In relation to a question about impacts on koalas, the CEO referred to the new SEPP for koalas in New South Wales. My understanding is that the SEPP does not apply to state forests. How can the CEO justify his comments on koalas, given this?

Zlatko Todorcevski: Its' correct that the new koala SEPP does not apply specifically to state forests but all of the rules and the intents of the SEPP are already supported within the operating agreement we have to harvest in state forests.

Kylie FitzGerald: Thank you, Zlatko. Chairman, at this stage, I have no more general business questions. I do have further questions for additional resolutions as we get to them.

Kathryn Fagg: Thank you, so much, Kylie. Thank you for directing those questions so effectively. We will move to the next item of business, which is to do with the re-election and election of Directors. Item 2.1 actually relates to my own re-election as a Director. I usually ask each Director seeking re-election to speak briefly on the skills they bring to the Board and so, before handing to the Chair, to John Marlay, Chairman of our REM and Noms Committee for my own re-election, let me say a few words about myself.

Ladies and gentlemen, I seek your support for my re-election as a Director of Boral. It has been a privilege to serve on the Board of Boral since 2014 and in particular, as the Chairman of the Board since the beginning of July 2018. Although I am standing for re-election at this meeting, I will be retiring in calendar year 2021 after successful transition to the next Chairman of this great company.

The Board has requested that I stay to provide a level of continuity and stability during this transition. I can assure you that the Board is absolutely committed to acting in the best interests of the Company and all of our shareholders. Each of my fellow Directors bring their skills and experiences to bear on providing oversight and ensuring robust governance of the Company and they do that in a way that is both challenging and constructive as well as respectful.

The Company has seen much change in the last 12 months. There has been a particular focus on re-setting the business and I believe we are well placed to tackle our challenges and to see opportunities ahead of us.

With your support, I look forward to leading the Board and working with the Management Team to ensure we will be delivering great outcomes for all our stakeholders. Our people, our customers, our communities and all of our shareholders into the future. Thank you.

Let me now hand over chairing of the meeting to John Marlay.

John Marlay: Thank you, Kathryn and good morning, ladies and gentlemen. Let me briefly share with you the reasons why all Directors strongly support the re-election of Kathryn Fagg as Chairman of Boral. Kathryn was appointed Chairman of Boral in July 2018. Under Kathryn's leadership, firm decisions have been taken to re-set Boral in response to the challenges that we faced.

These actions have received strong shareholder support and include the appointment of Zlatko Todorcevski as Boral's new CEO and Managing Director at a time that was earlier than planned. The decision to undertake a comprehensive portfolio review, which is now complete. The decision not to raise equity earlier in 2020 at the onset of the COVID-19 pandemic, which has been well-received by shareholders and the program of Board renewal that is now well progressed.

The Board considers the Chairman's stability and continuity is essential in the context of ongoing Board renewal, our leadership changes, and the portfolio review. Kathryn has been requested by the Board and she has agreed to stand for re-election to support leadership stability on the basis that she will retire and there will be an orderly transition to a new Chairman in 2021.

Kathryn's leadership and her integrity, including her willingness to engage extensively with Boral shareholders, to be accountable and to take steps to respond to the Company's challenges are important factors in building a stronger Boral. We therefore unanimously support her re-election as Chairman of Boral's Board and we strongly believe it is in the best interests of Boral shareholders. The matter is now open for discussion. Are there any questions?

Kylie FitzGerald: Thank you, Chairman. Yes, there is one question received from Stephen Mayne. Which of the Directors were most sceptical about the Headwaters acquisition when it was proposed and can Kathryn outline where she sat on the continuum ranging between sceptic and enthusiastic supporter?

John Marlay: Thank you, Mr Mayne. I can confirm that the Board were very strongly supportive of the decision and believed it - of the strategic relevance to the final decision. I haven't got any particular comment about any individual Directors. Thank you.

Kylie FitzGerald: There are no further questions.

John Marlay: Ladies and gentlemen, as there is no further discussion, for your information displayed on the screen are the details of proxies received in relation to Kathryn's re-election. Thank you, ladies and gentlemen. I will now hand the Chair back to Kathryn. Thank you.

Kathryn Fagg: Thank you, John. Our next item of business is the re-election of Paul Rayner as a Director. Paul was last re-elected as a Director at the 2017 AGM. Accordingly, Paul retires in accordance with the Company's Constitution, and being eligible offers himself for re-election. Additional information on Paul's qualifications and experience can be found in the Notice of Meeting. The Board, with Paul abstaining, considers the re-election of Paul is in the best interests of shareholders and recommends that shareholders vote in favour of the resolution. I now invite Paul to address the meeting on his candidature.

Paul Rayner: Thank you, Chairman. Dear shareholders, I respectfully ask for your approval to continue to serve you as a Director. I am privileged to have now served for 12 years and the Chairman and the Board have asked me again to stand for re-election to both facilitate the transition to the new Audit and Risk Committee and Board structure and to provide input as we proceed through our portfolio review.

During my time at Boral, I have seen the Company perform well and celebrate success, and I've also been here through some tough times. The last 12 months have been difficult with a disappointing operating performance in many markets, accounting misreporting in the USA windows business, and a substantial impairment of our North American business.

During the last financial year, we were extremely disappointed to discover financial irregularities in the windows business. These were announced in early December of last year. These irregularities involve no cash loss to the business but did misreport historic earnings by US\$23 million over an 18-month period. In response, we swiftly took a series of actions including replacing the windows finance managers that were involved in the coordination and cover-up of their financial wrongdoing, and the appointment of new business and financial leaders in both the windows business and the North American head office. We also strengthened the external audit resources.

As far as the Group as a whole is concerned, I firmly believe that Boral is now on the right track with the new senior Group management team in place, our portfolio review has progressed, and various business improvement opportunities are now being pursued. We also have a balance sheet that gives a strong liquidity. I plan to retire from the Board during my next term of office, the timing of which is still to be determined. In the meantime, I will use my experience and knowledge of what's happened, both good and bad, in our recent history to add value to the Board as it navigates through this transition period.

Dear shareholders, it's been an honour to be on your Board and I respectfully ask for your approval to continue my appointment today. Thank you.

Kathryn Fagg: Kylie, can I check if there are any questions?

Kylie FitzGerald: Yes. I have received one question from Stephen Mayne. Can Paul give his personal assessment of what went wrong at Headwaters and also whether Directors should undertake not to join a competitor without an appropriate period of gardening leave?

Kathryn Fagg: Thank you, Mr Mayne, for your question and I think it's actually appropriate that I respond to those two legs of that question. We have been quite open as Zlatko has done at the full year results and also more recently in the work that we have done to review the Headwaters acquisition, which covers all aspects of that decision and the subsequent performance of that business.

In terms of the second question, I think it's already been addressed sufficiently in this meeting.

Kylie FitzGerald: There are no further questions, Chairman.

Kathryn Fagg: Any further - thank you, Kylie. As there are no further questions, for your information displayed on the screen are details of proxies received in relation to Paul's re-election. Thank you.

Let me move on to the next item of business, which is the election of Rob Sindel as a Director. Rob was appointed as a Director effective 28 September 2020. Accordingly, Rob retires in accordance with the Company's Constitution, and being eligible, offers himself for election. Additional information on Rob's qualifications and experience can be found in the Notice of Meeting. The Board, Rob abstaining, considers the election of Rob is in the best interests of shareholders and recommends that shareholders vote in favour of the resolution. I now invite Rob to say a few words.

Rob Sindel: Thank you, Kathryn. I'm delighted to have the opportunity today to present myself for election to the Boral Board. Boral is a great company with a proud history, building great places to live as well as helping to provide the essential infrastructure we all take for granted. Success in Australia, Asia, and North America has built a brand that both employees and customers are proud to be associated with. Personally, I've had a long executive career in construction materials and building products, most recently as the CEO of CSR Limited. My international experience has included sales, manufacturing operations, logistics, and organisational change.

Since my recent appointment in September, I have witnessed the dedication and hard work of your Directors and the management team as they work through the current challenging environment. If elected today, I look forward to working with our new CEO Zlatko and Boral's leadership team as they assess the many opportunities available to the Company.

I look forward to visiting our operations and meeting many of our Boral team members to develop a deeper understanding of the Company and its culture. I can assure you of my passion for the industry and personal commitment to the future success of Boral. If elected, I promise my full commitment and I will continue to work diligently to create value for shareholders. Thank you.

Kathryn Fagg: Thank you, Rob. The matter is now open for discussion. Kylie, are there any questions?

Kylie FitzGerald: Yes. We have a question from Stephen Mayne. CSR and Boral compete in some markets. Could Rob please outline whether he still has an interest in CSR shares, how large that interest is and whether he proposes to make any changes after being elected to the Board today. What are the major markets which Boral and CSR compete in?

Kathryn Fagg: Thank you for the question, Mr Mayne, and I will hand to Rob because I know he would be happy to answer this question, but obviously the news this morning of the sale of USG Boral, our share of that joint venture has significantly changed the set of products that Boral is involved in. So, Rob, can I hand over to you?

Rob Sindel: Thanks, Kathryn, and thanks, Stephen for the question. Kathryn's right. With the sale that we've announced this morning of the 50% joint venture, the overlap between CSR and Boral in terms of competition is actually very limited. It's down to roof tiles and that was part of my thinking in terms of joining the Board specifically to ensure that the conflicts of interest were minimised. I have a duty as a Director to ensure that there is no conflicts between the companies in which I represent and if there is, I exclude myself from the discussion. So, it's quite an easy one to manage. In terms of my ownership of CSR shares, Stephen, I still have a small holding in CSR shares as part of a trust. I've sold down to - over the last 12 months based on the capital gains tax liabilities that I've had.

Kathryn Fagg: Thank you, Rob. Any more questions?

Kylie FitzGerald: No further questions, Chairman.

Kathryn Fagg: Thank you. As a result, we're displaying on the screen the details of proxies received in relation to Rob's election. Thank you.

The next item of business is the election of Deb O'Toole as a Director. Deb was also appointed as a Director effective 28 September of this year. Accordingly, Deb retires in accordance with the Company's Constitution and being eligible, offers herself for election. Additional information on Deb's qualifications and experience can be found in the Notice of Meeting. The Board, with Deb abstaining, considers the election of Deb is in the best interests of shareholders and recommends that shareholders vote in favour of the resolution. I now invite Deb to say a few words.

Deborah O'Toole: Thank you, Kathryn and good morning, everyone. As you know, I am very new to Boral and I'm seeking the endorsement of shareholders for the coming term. It's very exciting for me to join the Boral Board at a time of substantial change and I'm looking forward to supporting its management to overcome the challenges ahead with high energy and commitment. I don't take your support for granted and I would not accept the role if I did not believe my experience will allow me to strongly contribute to Boral. So I'm happy to outline for you the basis of that belief.

My experience in capital-intensive businesses, and especially my mining background and more recently logistics executive experience, is very relevant to Boral. More particularly, I have substantial experience in successful business transformations going back over more than 20 years, with the most recent being the transformation of the government-owned Queensland Rail to the successful privatisation of Aurizon.

While I have been a CFO in three ASX listed companies, I also spent much of my executive career in mergers and acquisitions running very large transactions at the global level, and thus bring that commercial experience also. As a former CFO, I have experience in capital markets, raising funds in most international markets, and focusing on balance sheet repair, disciplined investment processes and good financial management. I now have over 10 years' experience

across two periods as a non-executive director. With a legal as well as a financial background, my roles in chairing audit committees and risk committees mean that I bring strong governance principles and a particular focus on risk identification and risk management in businesses, financial institutions and government bodies.

Throughout my executive and non-executive director career, I have believed strongly in diverse and inclusive values-based leadership, with clear regard for the wellbeing and interests of all stakeholders, along with clarity of accountability across the board. Since my mining days, I've had an abiding interest in safety at work and participated in many safety programs in a number of industries. I am pleased to have been asked to bring that experience and perspective to the health, safety and environment committee at Boral.

Virtually all of my career has been associated with large, Australian-based companies with international operations. So I've gained a good understanding of the cultural and regulatory differences in operating in those environments, which are also relevant to Boral. With the help of my colleagues here, I will be able to contribute to the transformation of this important company. I thank the shareholders for the opportunity to work for them for this next term with this experienced group of people, working together for a better future. Thank you very much.

Kathryn Fagg: Thank you, Deb. This matter is now open for discussion. Kylie, are there any questions?

Kylie FitzGerald: Thank you, Chairman. Yes, we have one question from Stephen Mayne. What was the process by which Deborah was recruited to the Boral Board? Did she know any of the then Boral directors who were on the Board when she joined?

Kathryn Fagg: Thank you, and I will take that question. In terms of the approach that we took in recruiting Deb, it was I'm going to say a practice that I think you would expect for a leading company to take. That was, we did an extensive search, working with an executive search firm. We were particularly looking for those people who had deep experience in finance, likely as a CFO, in relevant industries. But also were experienced in terms of their non-executive director career and, in particular, had experience in leading the audit and risk committee of listed firms.

Deb was an outstanding candidate through that process that we undertook. We were delighted that as a result of the process, which both involved a series of interviews with all directors and extensive reference checking, that she accepted our offer of joining the Board.

In terms of whom Deb knew already on the Board, I can say I have known Deb for a number of years. We actually worked on a scholarship committee together for chief executive women. Eileen Doyle has also known Deb as a result of their professional background. I think I've covered it there, Deb, in terms of who you knew on the Board already.

Deborah O'Toole: Yes.

Kathryn Fagg: But we were in a very good position, obviously, to do deep reference checking with all the boards that Deb is on. Deb, is there anything you would like to add?

Deborah O'Toole: No, that's fine, thank you.

Kathryn Fagg: Thank you. Kylie, are there any other questions around Deb's election?

Kylie FitzGerald: There are no further questions.

Kathryn Fagg: Thank you. Displayed on the screen are details of proxies received in relation to Deb's election. Thank you. The next item of business is the election of Ryan Stokes as a director. Ryan was appointed as a director effective 28 September this year. Accordingly, he retires in accordance with the Company's constitution and, being eligible, offers himself for election. Additional information on Ryan's qualifications and experience can be found in the notice of

meeting. The Board, with Ryan abstaining, considers his election is in the best interests of shareholders and recommends that shareholders vote in favour of the resolution. I now invite Ryan to say a few words.

Ryan Stokes: Thank you, Kathryn. I appreciate the opportunity to address you, Boral shareholders. I am seeking election to the Board. I am MD and CEO of Seven Group Holdings, a role that I have held for more than five years. I have over 20 years' experience working in industrial services and media sectors, along with corporate finance M&A.

SGH is a listed company with diverse holdings and investments across industrial services, energy and media. SGH owns WesTrac, the Caterpillar dealer for Western Australia and New South Wales, along with Coates Hire. SGH also owns substantial positions in Beach Energy and Seven West Media, where we have involvement and I hold a board position.

As a major shareholder in Boral, I can assure you that our priorities are aligned. That said, my role in the Boral Board is to represent the interests of all shareholders. I am fully cognisant of the time demands to be a strong and contributing Board member. I can assure you that I have the time and energy to commit to make a valued contribution that will support the pursuit of shareholder value and Boral will be a priority. I am grateful for the support and look forward to make a contribution helping drive value for all Boral shareholders. Thank you.

Kathryn Fagg: Thank you, Ryan. The matter is now open for discussion. Kylie, can I check in and see if there are any questions?

Kylie FitzGerald: Yes, thank you, Chairman. I've received one from Stephen Mayne. Ryan is a full-time CEO at Seven Group Holdings. How will he have the time to serve as a Boral director? Why did Seven Group decide to withdraw the nomination of Richard Richards rather than Ryan Stokes when it was apparent the election of both of these nominees might be defeated if a compromise wasn't reached?

Kathryn Fagg: Thank you for the question, Mr Mayne. In terms of the capacity for Ryan to serve on the Board of Boral, you would have heard in his speech just now that he has the capacity and, clearly, it's an important part of his responsibilities as CEO at SGH. We are very confident that he has the time, and have certainly seen that in action since he joined the Board about a month ago. In terms of Mr Mayne's second question, as to why it was Mr Richards who Seven Group Holdings withdrew the nomination, that was obviously something that they determined was most appropriate and was in response to feedback from shareholders. Are there any other questions, Kylie?

Kylie FitzGerald: Yes, there's one other from Stephen Mayne. If Ryan is elected today, can he promise not to propose a \$4.1 billion related party transaction like the disaster that happened at Seven West Media in 2012?

Kathryn Fagg: Kylie, I will take that question from Mr Mayne. I think it is important that everyone understand that the reason we have a very robust protocol in place, and which is available on our website for people to understand it, is to make it very clear that certainly all Board directors are committed to acting in the best interests of shareholders, each of us understand our responsibilities, and we also have in place obviously the protocol to manage a situation if there was, indeed, a difference, potentially a conflict in interest between requirements of Boral and Seven Group Holdings. So we are confident that protocol is robust and we are very focused on all of us looking after the best interests of Boral. Kylie, are there any other questions?

Kylie FitzGerald: There are no further questions.

Kathryn Fagg: Thank you. As there is no further discussion, the information displayed on the screen are details of the proxies received in relation to Ryan's election. Thank you. The next item of business was item 2.6, the election of Richard Richards as a director. But in line with our announcement on 15 October, Seven Group Holdings has withdrawn its nomination of Richard Richards for election today. So this resolution will now not be put to the meeting. Richard will automatically retire at the end of today's meeting, in accordance with the Company's constitution. But I would like to take this opportunity to thank Richard for his valued contribution to the Board. Thank you, Richard.

The next item of business is the adoption of the remuneration report. I invite John Marlay, Chairman of the Remuneration and Nomination Committee, to address the meeting on the remuneration report.

John Marlay: Thank you, Chairman. Good morning, ladies and gentlemen. My name is John Marlay. I'm a Non-executive Director of Boral Limited and Chairman of the Remuneration and 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 to remuneration. As already noted by the Chairman, CEO renewal was brought forward with the appointment of Zlatko Todorcevski as Boral's new CEO and Managing Director from 1 July 2020. In 2020, the committee has focused on CEO succession, Board renewal, and responding to the changing business circumstances, particularly in terms of the impact of 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 the 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.

Boral's FY2020 results reflect a particularly challenging year. Whilst 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 returns 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 to the existing STI plan for executives, it was suspended in FY2021, recognising the challenges and uncertainty with which we were 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.

Turning to the incoming CEO's remuneration structure. The new CEO's remuneration structure is intended to recognise and to reward the decisions and actions that need to be taken to reset our business. Zlatko's initial fixed annual remuneration of A\$1.9 million, is delivered 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, with 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 then be disclosed in the FY2021 remuneration report. The performance hurdles for CEOs 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 a portfolio review decisions being taken, we will consider whether a more traditional remuneration structure is appropriate, incorporating a short-term incentive as well. Long-term incentive performance hurdles are expected to also include a measure based on strategic transformation and other potential objectives.

Mike Kane stood down as CEO on 30 June 2020. His leaving arrangements were consistent with the disclosed terms of his employment agreement and the equity plan rule disclosures. In line with the terms of the employment contract, a separation payment equivalent to 12 months' 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 Window's earnings in that 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.

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. Firstly, 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 five-day volume weighted average price to 1 September with a 12-month VWAP to 30 June 2020. This allocation methodology for the fixed equity grant to the CEO, will be on the same basis. For the FY2021 grants, the VWAP for Boral shares on the ASX, during the 12-month trading period to 30 June 2020, is \$3.801.

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

Thirdly, 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 three-year period to reduce volatility. Thank you, ladies and gentlemen, for your attention. I will now hand back to the Chairman. Thank you.

Kathryn Fagg: Thank you, John. The Board considers the adoption of the remuneration report is in the best interest of shareholders and recommends that shareholders vote in favour of the resolution. The adoption of the remuneration report is now open for discussion. Kylie, can I check with you if there are any questions?

Kylie FitzGerald: Yes, Chairman. The first question is from Ian Anderson, representing the Australian Shareholders' Association. A new CEO and large write-downs is a time-honoured practice, making it easier to achieve future incentive hurdles. Did you consider taking this into account when setting LTI hurdles for FY21?

Kathryn Fagg: Thank you, Mr Anderson, for the question. The decision to take the non-cash impairments was not taken because we had a new CEO, or to make it easier to achieve LTI awards. The review of the carrying value of Boral's assets was in accordance with the relevant accounting standards and took into account increased demand uncertainty, caused by the COVID-19 pandemic and potential longer-term impacts of prevailing economic and operating conditions.

In relation to the impact of the impairment on executive remuneration, the Board determined that for the LTI awards which were on foot, being those granted in September 2017, 2018 and 2019, when determining the Company's return on funds employed performance, the calculation will be based on pre-impairment funds employed. The Board considers this an appropriate approach for impairments. This approach means that Management does not benefit from impairments that occur during an LTI performance period, recognising Management's role as stewards of the business. Looking forward, new LTI awards are expected to be calculated on the basis of funds employed after impairment.

In determining the Company's ROFE performance, the Board retains its discretion to make adjustments where it considers it necessary or appropriate, in order to accurately reflect the ROFE outcomes and reward performance in a manner that is consistent with shareholder expectations and the intent and purpose of the relevant ROFE target. Kylie, can I ask if there were further questions?

Kylie FitzGerald: Yes. The next question is from Helen Haysom, Kirsten Polmear and Loren Miller. When is Boral going to limit remuneration packages for Directors and staff to no more than 10 times the wage of the lowest paid employee, including contractors? This would deliver significant benefits to shareholders.

Kathryn Fagg: Thank you for the question. Boral's approach to remuneration is to provide good alignment between executive pay and shareholder value, whilst aligning to market, with remuneration reflecting the responsibilities, accountabilities and performance in the role, noting that we believe having the best people is at the core of success for our business. Boral completes market benchmarking for executives and salaried employees on an annual basis. For executives, market benchmarking is completed against Boral and proxy advisor comparative groups, with Mercer market data also used to align remuneration for salaried employees and executives to the market.

In financial year '20, our remuneration practices were driven by our changing business circumstances, which included responding effectively to the impact of the COVID-19 pandemic on our people and operations. We took additional steps in relation to remuneration, including a freeze of executive and employee salaries from the start of COVID-19 and continuing in financial year '20. We also have a freeze on Non-executive Director fees.

In addition, the existing STI plan for executives was suspended in financial year '21, recognising the challenges and uncertainty with which we are operating. This may be reassessed if conditions and performance improve. Kylie, can I check if there are further questions on the rem report?

Kylie FitzGerald: Yes. We have a question from Stephen Mayne. How much will Ryan Stokes be paid as a Director? Will he personally keep these fees, or will they go to his employer, Seven Group Holdings? The Stokes family are worth \$5 billion. Ryan doesn't need to work. Has he thought about serving on the Board for free, to save us some cash?

Kathryn Fagg: Thank you for the question, Mr Mayne. In terms of how we pay Ryan Stokes, he will be paid fees consistent with the way fees are paid to other Non-executive Directors on the Board. Thank you, Kylie. Are there other questions?

Kylie FitzGerald: There are no further questions, Chairman.

Kathryn Fagg: Thank you, Kylie. As there is no further discussion, for your information, displayed on the screen are details of proxies received in relation to adoption of the remuneration report. The next item of business to be considered at this meeting is to seek approval for the award to Zlatko Todorcevski, our CEO and Managing Director, of rights to Boral shares, for his long-term incentive grant.

Importantly, Zlatko will only receive value from his long-term incentive grant, to the extent that performance hurdles, based on relative total shareholder return and the return on funds employed, are satisfied at the end of a three-year period. Details of the total number of rights to be granted and other relevant terms and conditions are set out in the explanatory note to the Notice of Meeting.

But the Board, with Zlatko abstaining, considers the award of these rights is in the best interests of shareholders and recommends that shareholders vote in favour of the resolution. The matter is now open for discussion. Does anyone have any questions? Kylie.

Kylie FitzGerald: There are no questions on this resolution, Chairman.

Kathryn Fagg: Thank you, Kylie. Ladies and gentlemen, as there is no further discussion, on the screen are details of proxies received in relation to this item. Let me move on to the final item of business which is to seek approval for the award to Zlatko Todorcevski, our CEO and Managing Director, rights of Boral shares for his fixed equity grant. The Board is proposing that Zlatko be granted fixed equity rights with a face value of \$150,000, being approximately 8% of his fixed remuneration.

Details of the total number of rights to be granted and other relevant terms and conditions are set out in the explanatory notes to the Notice of Meeting. The Board, with Zlatko abstaining, considers the award of these rights is in the best interest of shareholders and recommends that shareholders vote in the favour of the resolution. The matter is now open for discussion. Do we have any questions, Kylie?

Kylie FitzGerald: There are no questions on this matter, Chairman.

Kathryn Fagg: Ladies and gentlemen, as there is no further discussion, on the screen are details of proxies received in relation to this item. Ladies and gentlemen, as there is no other business for the meeting and no further questions, I declare this meeting closed, subject to finalisation of the poll. Shareholders and proxy holders will have five minutes from now to submit their votes via the online platform. A countdown time will appear at the top of the screen in the online platform. Once this closes, any votes you will have placed will automatically be submitted.

The results of today's AGM will be released to the market and made available on the Boral website as soon as possible, which should be later in this afternoon. Once again, can I thank you all for participating in this Annual General Meeting and for your support of Boral. Thank you, ladies and gentlemen.

End of Transcript