

# Corporate Governance Statement

## INTRODUCTION

This Corporate Governance Statement outlines Boral's governance framework. Boral is committed to ensuring that its policies and practices reflect a high standard of corporate governance.

The Board recognises that good corporate governance is essential to building trust and creating long-term shareholder value, supported by the Boral Values:

- **Integrity** – open, honest, respectful and authentic in all our dealings
- **Excellence** – ambitious and disciplined in pursuit of the highest standards of performance
- **Collaboration** – working across businesses and developing partnerships, and
- **Endurance** – operating for the long term rather than the quick fix, and ever improving.

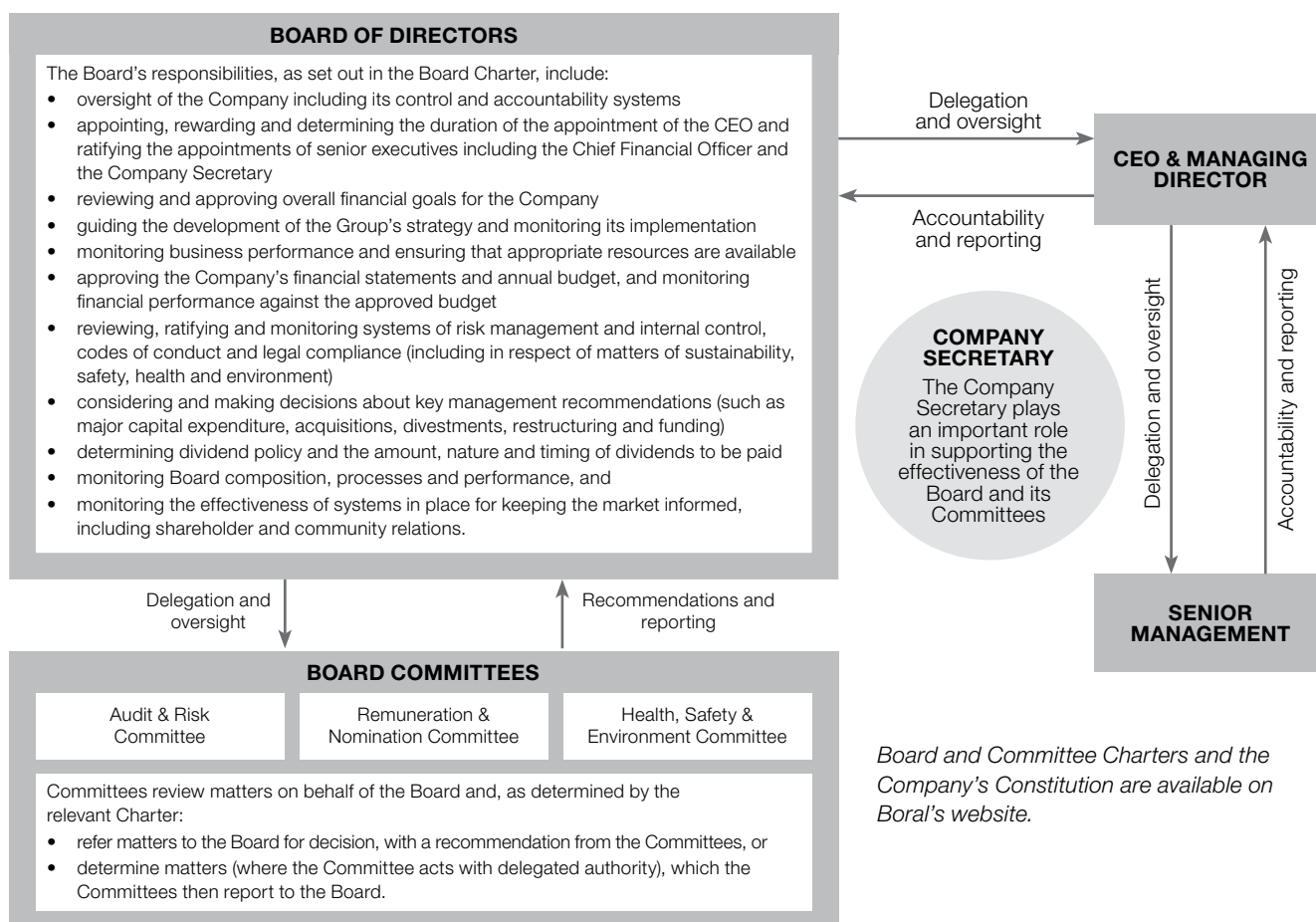
These values are expected to inform all our decisions, from the top down. The values are supported by our governance framework and underpin our corporate culture.

Throughout FY2019, Boral's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (the ASX Principles and Recommendations).

The Board continually reviews governance at Boral to ensure that our arrangements remain appropriate in light of changing expectations and general developments in good corporate governance. Boral is pleased to report that its governance arrangements as outlined in this Corporate Governance Statement already address a number of the new issues raised in the 4th edition of the ASX Principles and Recommendations which will come into effect for Boral in FY2021.

In accordance with the ASX Principles and Recommendations, the Boral policies referred to in this statement have been posted to the corporate governance section of Boral's website: [boral.com/corporate\\_governance](http://boral.com/corporate_governance).

This Corporate Governance Statement is current as at 30 June 2019 and has been approved by the Board of Boral Limited.



Board and Committee Charters and the Company's Constitution are available on Boral's website.

## The Board and its role

### RESPONSIBILITIES OF THE BOARD

Directors are accountable to shareholders for the Company's performance and governance. The Board has delegated to the CEO & Managing Director and, through the CEO & Managing Director, to other senior executives, responsibility for the day-to-day management of the Company's affairs and implementation of the Company's strategy and policy initiatives. The CEO and other senior executives have written agreements in place that set out their terms of appointment, and all executives are to operate in accordance with Board approved policies and delegated limits of authority, as set out in Boral's management guidelines.

The diagram on page 40 summarises Boral's governance framework and the functions reserved for the Board in accordance with the Board Charter.

Non-executive Directors spend at least 35 days each year (considerably more in the case of the Chairman) on Board business and activities, including Board and Committee meetings, meetings with senior management to discuss in detail the strategic direction of the Company's businesses, visits to operations, and meeting employees, customers and other stakeholders. The Board's engagement with our people through these business level reviews and operational visits provides additional insights and confidence around Boral's culture, capability and execution.

#### FY2019 business reviews and site visits by the Board and/or its Committees

Where	Key focus areas
Lake Wales Roofing (Florida), Greencastle Stone (Pennsylvania), Bowen Fly Ash operations (Georgia)	Headwaters integration progress, sales showcase and conversations with customers
Review of NSW operations and our Digital Solutions team (North Ryde, Sydney)	Focus on customer service enhancement initiatives Digital Solutions team – culture and innovation
Health Safety & Environment Committee engagement at Thornleigh concrete plant and Peats Ridge Quarry (NSW)	Review of vehicle and pedestrian separation, heavy vehicle safety, safety technology and innovation, and leadership development programs
Fly Ash management team in the USA (Texas)	Deep dive on long-term fly ash supply strategy and the Group's progress against the plan
Engagement with the USG Boral leadership team and Indonesia customers and distributors (Singapore), visited Camellia operations (NSW)	Review of USG Boral JV strategy, including customer relationships in key markets, safety initiatives, conduct risk and compliance program

## Composition of the Board

### Membership

The accompanying diagram illustrates the composition of the Board at 30 June 2019.

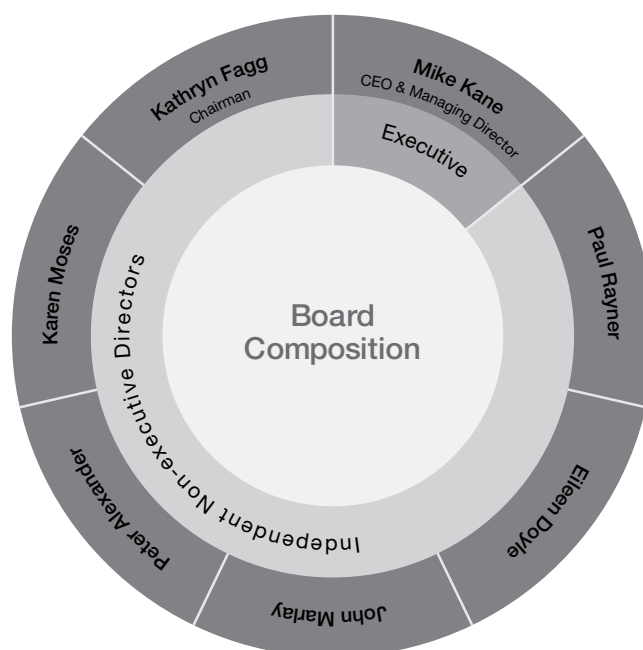
Boral's Constitution provides that there will be a minimum of three Directors and a maximum of 12 Directors on the Board.

The Board of Directors comprises six non-executive Directors (including the Chairman) and one executive Director, being the CEO & Managing Director.

The roles of the Chairman and the CEO & Managing Director are not exercised by the same individual.

### Chairman's appointment and responsibilities

The Board selects the Chairman from the non-executive independent Directors. The Chairman leads the Board and is responsible for the efficient organisation and effective functioning of the Board, ensuring that Directors have the opportunity to contribute to Board deliberations. The Chairman regularly communicates with the CEO & Managing Director to review key issues and performance trends. They also represent the Company in the wider community.



## SKILLS AND DIVERSITY OF THE BOARD

Matters relating to the composition of the Board and its Committees are considered by the Remuneration & Nomination Committee in accordance with the framework set out in the Remuneration & Nomination Committee Charter and through processes implemented by the Board.

The Board actively seeks to ensure that it has an appropriate mix of diversity, skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well-equipped to assist our Company to navigate the range of opportunities and challenges we face.

Diversity includes differences that relate to industry experience, tenure, gender, age and cultural background, as well as differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem-solving skills.

To assist in identifying areas of focus and maintaining an appropriate and diverse mix in its membership, the Board uses a skills matrix, which it reviews regularly. The matrix is an important, but not the only, basis of criteria applying to Board appointments. When the Board reviews the skills matrix, it looks to ensure that it covers the skills needed to address existing and emerging business and governance issues.

The Board skills matrix sets out the mix of skills, experience and expertise that the Board currently has and is looking to achieve in its membership. The matrix supports the Company's overarching strategy to "Fix, Execute and Transform" the business, as well as other areas of relevance to the composition of the Board.

For example, the Board identified that a key consideration in determining the composition of the Board should be to build on its existing global experience in the foreign jurisdictions in which Boral operates. Peter Alexander joined the Board as a non-executive Director on 1 September 2018. Mr Alexander brings extensive North American and industry experience to the Board, which contributes to the Board's oversight of Boral's expanding North American Division. The Board continues to monitor opportunities for appointing an Asia-based non-executive Director to build on the Board's existing experience in Asia.

The areas addressed in the matrix are as follows.

<b>Board skills matrix – skills and experience across the Board as a whole support Boral's strategy to "Fix, Execute and Transform"</b>	
<b>Element</b>	<b>Skills</b>
Leadership	Executive Leadership
	Health, Safety & Environment
	Portfolio
Portfolio	Strategy / M&A
	Financial acumen
	Risk management
	Global experience
	Market and customer knowledge
	Innovation
People	Change and transition
	Information technology
	Organisational sustainability
Governance	Remuneration and rewards
	Governance and regulation
	Board experience

Each of these areas is currently well represented on the Board. The Board benefits from the combination of Directors' individual skills, experience and expertise in particular areas, as well as the varying perspectives and insights that arise from the interaction of Directors with diverse backgrounds.

*The skills, experience and expertise of each Director are set out on page 39 of this Annual Report.*

## DIRECTOR INDEPENDENCE

The Board has assessed the independence of each of the non-executive Directors (including the Chairman) in light of their interests, positions, associations and relationships, and considers each of them to be independent. The criteria considered in assessing the independence of non-executive Directors include that the Director:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder
- is not employed, or has not previously been employed, in an executive capacity by a Boral company or, if the Director has been previously employed in an executive capacity, there has been a period of at least three years between ceasing such employment and serving on the Board
- has not within the last three years been a partner, director or senior employee of a provider of material professional services to a Boral company
- has not been within the last three years in a material business relationship (that is, as a supplier or customer) with a Boral company, or an officer of or otherwise associated with someone with such a relationship

- has no material contractual relationship with a Boral company other than as a Director
- does not have close family ties with any person who falls within any of the categories described above, or
- has not been a Director of Boral for such a period that his or her independence may have been compromised.

It is considered that none of the interests of Directors (or the interests of persons with whom Directors have close family ties) with other firms or companies having a business relationship with Boral could materially interfere with the ability of those Directors to act in Boral's best interests. 'Material', in the context of Director independence is, generally speaking, regarded as being 5% of the revenue of the supplier, customer or other entity being attributable to the association with a Boral company or companies.

Accordingly, all of the non-executive Directors (including the Chairman) are considered independent.

## **TENURE**

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Under Boral's Constitution, and as required by the ASX Listing Rules, a Director must not hold office (without re-election) past the longer of the third Annual General Meeting (AGM) and three years following that Director's last election. Retiring Directors are eligible for re-election. When a vacancy is filled by the Board during a year, the new Director must stand for election at the next AGM. The requirements relating to retirement from office do not apply to the Managing Director of the Company.

The length of service of each current Director is set out on page 39 of this Annual Report, and shows that the Board is well served with an appropriate and diverse mix of tenure.

The Board does not regard nominations for re-election as being automatic but rather as being based on the individual performance of Directors and the needs of the Company. Before the business to be conducted at the AGM is finalised, the Board discusses the performance of Directors standing for re-election in the absence of those Directors. Each Director's suitability for re-election is considered on a case-by-case basis, having regard to individual performance. Tenure is just one of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a Director.

The Board has determined that as a general rule, the Chairman must retire from that position at the expiration of 10 years in that role unless the Board decides otherwise.

## **INDUCTION AND TRAINING**

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Management, with the Board, provides an orientation program for new Directors. The program includes:

- briefings from executives and management, including detailed introductions to Boral's business and strategy implementation, history, culture, industry and key risks and opportunities
- an introduction to Boral's regulatory environment, including legal duties and responsibilities of Boral Directors, and accounting matters where the Director requests additional background
- the provision of induction materials such as the Strategic Plan and governance charters and policies, and
- site visits to some of Boral's key operations and discussions with other Directors.

The Company also supports continuing education for Directors to continue to develop their professional skills. This is considered regularly in light of emerging business and governance issues relevant to Boral. The Board receives appropriate briefings on material developments in laws, regulations and accounting standards relevant to the Company.

## SUCCESSION PLANNING

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Board succession planning, and the progressive and orderly renewal of Board membership, are an important part of the governance process. The Board's policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to carry out its responsibilities most effectively.

The Board is also committed to maintaining gender diversity in its membership. Currently, three of the six non-executive Directors on the Boral Board are women. As part of the appointment process, Directors consider Board renewal and succession plans, and whether the Board is of a size and composition that is conducive to making appropriate decisions.

The non-executive Directors meet on a regular basis without management present in a forum intended to allow for open discussion, including in relation to Board and management performance.

Process	Explanation
Board review	<ul style="list-style-type: none"><li>• The appointment of Directors follows a process during which the full Board (with the assistance of external search consultants) assesses the necessary and desirable competencies of potential candidates and considers a number of candidates before deciding on the most suitable candidate for appointment.</li><li>• The selection process includes obtaining background checks on candidates and assistance from an external consultant, where appropriate, to identify and assess suitable candidates. Background checks are conducted before appointing a Director and putting forward a candidate to shareholders. These checks include the candidate's experience, education, criminal record and bankruptcy history, and reference checks.</li><li>• Candidates identified as being suitable are interviewed by a number of Directors. Confirmation is sought from prospective Directors that they would have sufficient time to fulfil their duties as a Director.</li></ul>
Remuneration & Nomination Committee recommendation	<ul style="list-style-type: none"><li>• The Remuneration &amp; Nomination Committee is responsible for making recommendations to the Board on matters such as succession plans for the Board, suitable candidates for appointment to the Board, Board induction and Board evaluation procedures.</li></ul>
Appointment	<ul style="list-style-type: none"><li>• At the time of appointment of a new non-executive Director, the key terms and conditions relative to that person's appointment, the Board's responsibilities and the Company's expectations of a Director are set out in a letter of appointment. All current Directors have been provided with a letter confirming their terms of appointment.</li></ul>
Shareholder communications	<ul style="list-style-type: none"><li>• When candidates are submitted to shareholders for election or re-election, the Company includes in the notice of meeting all information in its possession that is material to the decision whether to elect or re-elect the candidate.</li></ul>

## CONFLICTS OF INTEREST

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In accordance with Boral's Constitution and the *Corporations Act 2001* (Cth) (*Corporations Act*), Directors are required to declare the nature of any interest they have in business to be dealt with by the Board. Except as permitted by the *Corporations Act*, Directors with a material personal interest in a matter being considered by the Board may not be present when the matter is being considered and may not vote on the matter.

## ACCESS TO INFORMATION, INDEPENDENT ADVICE AND INDEMNIFICATION

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After consultation with the Chairman, Directors may seek independent professional advice, in furtherance of their duties, at the Company's expense. Directors may also request relevant information from members of senior management at any time.

The Company Secretary, who is accountable to the Board through the Chairman, provides advice and support to the Board and is responsible for all matters to do with the proper functioning of the Board.

## Board Committees

The qualifications and experience of each Committee member are set out on page 39 of this Annual Report. Details of the number of Committee meetings Directors attended during the reporting period are set out on page 58 in the Directors' Report.

Open lines of communication exist between all of Boral's Board Committees. This is intended to prevent any gaps in risk oversight and to maintain a broader picture of Boral's risk profile.

### AUDIT & RISK COMMITTEE

#### Composition and role

Boral has an Audit & Risk Committee that assists the effective operation of the Board. The Audit & Risk Committee comprises only independent non-executive Directors. Its members are:

Paul Rayner (Chairman)
Eileen Doyle
Karen Moses

The Committee met four times during FY2019.

The Audit & Risk Committee has a formal Charter which sets out its role and responsibilities, composition, structure and membership requirements. Its responsibilities include review and oversight of:

- the financial information provided to shareholders and the public
- the integrity and quality of Boral's financial statements and disclosures
- the systems and processes that the Board and management have established to identify and manage areas of significant risk, and the effectiveness of Boral's risk management framework, and
- Boral's auditing, accounting and financial reporting processes and control framework.

The Committee has the necessary power and resources to meet its responsibilities under its Charter, including rights of access to management and auditors (internal and external), and to seek explanations and additional information.

Accounting and financial control policies and procedures have been established, and are monitored by the Committee to ensure that the financial reports and other records are accurate and reliable. Any new accounting policies are reviewed by the Committee. Compliance with these procedures and policies and limits of authority delegated by the Board to management are subject to review by the external and internal auditors.

When considering the yearly and half yearly financial reports, the Audit & Risk Committee reviews the carrying value of assets, provisions and other accounting issues. Questionnaires completed by divisional management are reviewed by the Committee half yearly.

Both the external and internal auditors attend each scheduled meeting of the Committee and report to the Committee as appropriate on the outcome of their audits and the quality of controls throughout Boral. As part of its agenda, the Audit & Risk Committee meets with the external and internal auditors, in the absence of the CEO & Managing Director and the Chief Financial Officer, in each meeting during the year.

The Chairman of the Audit & Risk Committee reports to the full Board after Committee meetings. Minutes of meetings of the Audit & Risk Committee are included in the papers for the next full Board meeting after each Committee meeting.

#### Responsibilities in relation to the external audit and internal audit

Boral's external auditor is KPMG. At least annually, as occurred in FY2019, the Audit & Risk Committee reviews the scope of the external audit and evaluates the quality of the performance, the effectiveness and the independence of the external auditor.

If circumstances arise where it becomes necessary to replace the external auditor, the Audit & Risk Committee will formalise a process for the selection and appointment of a new auditor, and recommend to the Board the external auditor to be appointed to fill the vacancy.

The Audit & Risk Committee monitors procedures to ensure the rotation of external audit engagement partners every five years as required by the *Corporations Act*.

The Audit & Risk Committee has approved a process for the monitoring and reporting of non-audit work to be undertaken by the external auditor. The type of services of the external auditor which are prohibited because they have the potential, or appear, to impair independence include the participation in activities normally undertaken by management and where the external auditor would be required to review their work as part of the audit.

The Independence Declaration by the external auditor is set out on page 60. The Committee's role in relation to the internal audit function is discussed on page 48.

## REMUNERATION & NOMINATION COMMITTEE

### Composition and role

The Board has a Remuneration & Nomination Committee that comprises three independent non-executive Directors.

The members of the Committee are:

John Marlay (Chairman)
Peter Alexander
Kathryn Fagg

The Committee met four times during FY2019.

The Remuneration & Nomination Committee has a formal Charter that sets out its role and responsibilities, composition, structure and membership requirements. The Committee's responsibilities include reviewing, advising and making recommendations to the Board on:

- Boral's remuneration framework (including incentive policies and practices, remuneration arrangements for the CEO and the CEO's direct reports)
- identification and recommendation of suitable candidates for appointment to the Board
- the Board skills matrix
- succession planning policy and approach generally, and the succession plan for the CEO in particular
- developing and implementing procedures for the Board's periodic evaluation of its performance and the endorsement of retiring Directors seeking re-election, and
- Board induction and the provision of appropriate training and development opportunities for Directors as required.

The Committee makes recommendations to the full Board on remuneration arrangements for the CEO & Managing Director and senior executives and, as appropriate, on other aspects arising from its functions.

Part of the role of the Remuneration & Nomination Committee is to advise the Board on the remuneration policies and practices for Boral generally and the remuneration arrangements for senior executives.

Further information relating to the key areas of focus for the Remuneration & Nomination Committee in FY2019 is set out in the Remuneration Report from page 61.

## HEALTH, SAFETY & ENVIRONMENT COMMITTEE

### Composition and role

The Board has a Health, Safety & Environment Committee that comprises four independent non-executive Directors.

The members of the Committee are:

Eileen Doyle (Chairman)
John Marlay
Karen Moses

The Committee met four times during FY2019.

The Health, Safety & Environment Committee has a formal Charter that sets out its role and responsibilities, composition and structure. The Committee's responsibilities include the review and monitoring of:

- the Group's strategy for health, safety and environment (HSE) and management's plans to improve HSE performance
- the effectiveness of the Group's policies, systems and governance structure for identifying and managing HSE risks which are material to the Group
- the policies and systems within the Group for ensuring compliance with applicable legal and regulatory requirements associated with HSE matters
- the performance of the Group, assessed by reference to agreed targets and measures, in relation to HSE matters, including the impact on employees, third parties and the reputation of the Group
- the output of the Group's audit performance in relation to HSE matters
- the adequacy of the Group's systems for reporting actual or potential accidents, breaches and significant incidents, and review of investigations and remedial actions in respect of any significant incident, and
- the Group's reports which are prepared and lodged in compliance with its statutory obligations concerning the environment.

In performing its role, the Committee seeks to support the activities of Management and enhance the HSE culture of the Group through its interactions with employees and others during meetings and site visits.

## Role and responsibility of the Executive Committee

### PERFORMANCE EVALUATION PROCESS

Under the supervision of the CEO, the Executive Committee is responsible for implementing Boral's strategic objectives.

The Executive Committee has also been delegated the responsibility for managing business performance, monitoring and reviewing material financial and non-financial risks and overseeing and developing Boral's people.

The Executive Committee as a whole is collectively responsible for meeting these delegated responsibilities, and each member is delegated specific accountability for overseeing their part of Boral's business (details of the Executive Committee are set out on page 38 of this Annual Report).

The Executive Committee is also responsible for providing timely and accurate reports to the Board on Boral's business and operations, in order to assist the Board in discharging its duties and responsibilities effectively.

Members of the Executive Committee (as well as other senior executives) are employed by Boral through individual Executive Services Agreements. The pre-employment process for executives includes obtaining background checks with the assistance, where appropriate, of an external consultant, to verify qualifications and determine suitability for the role.

# Performance evaluation and remuneration

## PERFORMANCE EVALUATION PROCESS

The following table explains the Company's performance evaluation processes for the Board, Committees, individual Directors and senior executives.

Board, Committees and Directors	CEO & Managing Director	Senior executives
<p>The Board undertakes an evaluation of the performance of the Board, its Committees, individual Directors and the Chairman.</p> <p>Periodically, this review is undertaken with the assistance of an external facilitator. The evaluation encompasses a review of the structure and operation of the Board, and the skills and characteristics required by the Board to maximise its effectiveness. It also considers whether the blending of skills, experience and expertise and the Board's practices and procedures are appropriate for the present and future needs of the Company.</p> <p>Steps involved in the evaluation include the completion of a questionnaire by each Director, review of responses to the questionnaire at a Board meeting, and a private discussion between the Chairman and each other Director.</p>	<p>On an annual basis, the Remuneration &amp; Nomination Committee and subsequently the Board formally review the performance of the CEO &amp; Managing Director.</p> <p>The criteria assessed are both qualitative and quantitative, and include profit performance, other financial measures, safety performance, financial and non-financial risk identification and management, and strategic actions.</p> <p>Further details on the assessment criteria for CEO &amp; Managing Director and senior executive remuneration (including equity-based plans) are set out in the Remuneration Report, which forms part of the Annual Report.</p>	<p>The CEO &amp; Managing Director annually reviews the performance of each of Boral's senior executives, being members of the Executive Committee, using criteria consistent with those used for reviewing the CEO &amp; Managing Director.</p> <p>The performance of senior executives is reviewed annually against appropriate measures as part of Boral's performance management system, which applies to all managers and staff. The system includes processes for the setting of objectives and the annual assessment of performance against objectives and workplace style and effectiveness.</p> <p>The CEO &amp; Managing Director presents the outcomes of those reviews to the Board through the Remuneration &amp; Nomination Committee. The Remuneration &amp; Nomination Committee retains discretion as to the appropriateness of remuneration outcomes for the Executive Committee, both individually and as a whole.</p>
<p>In FY2019, the review took place as part of the Board's orderly succession process and evaluation.</p> <p>The next external evaluation of the performance of the Board, its Committees and individual Directors is planned for FY2020.</p>	<p>An evaluation of the performance of the CEO &amp; Managing Director took place in FY2019 in accordance with the process described above.</p>	<p>An evaluation of the performance of senior executives of Boral took place in FY2019 in accordance with the process described above.</p>

## REMUNERATION

### Remuneration of non-executive Directors

The remuneration of non-executive Directors is fixed. The non-executive Directors do not receive any options, at-risk remuneration or other performance-related incentives, nor are there any schemes for retirement benefits for non-executive Directors.

The remuneration arrangements for non-executive Directors are distinct from the arrangements for senior executives.

### Remuneration of senior executives

Boral's remuneration policy and practices for senior executives, including the CEO & Managing Director, are designed to attract, motivate and retain high-quality people. The policy is built around principles that:

- executive rewards be competitive in the markets in which Boral operates
- executive remuneration has an appropriate balance of fixed and at risk reward
- remuneration be linked to Boral's performance and the creation of shareholder value
- at-risk remuneration for executives has both short- and long-term components, and
- a significant proportion of executive reward be dependent upon performance assessed against key business measures.

These principles ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

*Further information relating to the remuneration of the non-executive Directors and senior executives is set out in the Remuneration Report from page 61.*



# Boral policies and risk framework

## **RISK IDENTIFICATION AND MANAGEMENT**

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The Board (through the Audit & Risk Committee) is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. In particular, the Board seeks assurance that:

- the principal strategic, operational, financial reporting and compliance risks are identified, and
- systems are in place to assess, manage, monitor and report on these risks and that these systems are rigorously tested to ensure they are operating effectively at all stages of the risk management cycle.

The managers of Boral's businesses are responsible for identifying and managing risks. Under supervision of the Board, management is responsible for designing and implementing risk management and internal control systems to manage the Company's material business risks. This comprises:

- the identification of core strategic, operational, financial and compliance risks
- the identification and monitoring of emerging business risks, and
- assessment, monitoring and mitigation of identified risks.

On at least an annual basis, the Group Audit & Risk Manager facilitates a formal bottom-up, organisation-wide risk management process with the business. Outcomes are shared with the Audit & Risk Committee and Management, who also receive presentations by senior divisional management on a regular basis following division-specific risk reviews. The process is governed centrally through Boral's risk management framework and directed by policies and procedures within functional areas such as Treasury, Health, Safety and Environment, Human Resources and Learning, Group Legal and Finance.

Boral's senior management has reported to the Board (through the Audit & Risk Committee) on the effectiveness of the management of the material business risks faced by Boral during FY2019. The Audit & Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

*Boral's Risk Management Policy is available on Boral's website.*

### **Internal audit**

The internal audit function is carried out by Group Audit & Risk, which provides independent and objective assurance to Management and the Board on the effectiveness of Boral's internal control, risk management and governance systems and processes. The function is led by the Group Audit & Risk Manager, who oversees the execution of the internal audit plan as approved by the Audit & Risk Committee. The Group Audit & Risk Manager has a reporting line to the Chief Financial Officer as well as to the Audit & Risk Committee.

The function comprises a dedicated in-house team of qualified professionals based in Australia, Asia and the USA, with targeted support as required from external specialists. The internal audit function is independent of Management and has full access to all Boral entities, records and personnel.

The internal audit plan is formulated using a risk-based approach to align audit activity with the key risks of Boral. Internal audit activity and outcomes are reported to the Audit & Risk Committee on at least a quarterly basis.

### **Business and sustainability risks**

Details regarding our approach to managing business and sustainability risks are contained in the OFR (pages 6–19 of this Annual Report), Sustainability Overview (pages 22–37 of this Annual Report) and the risks section of the Annual Report (including at pages 20–21 and 55–56). These explain the Company's exposure to economic, environmental and social sustainability risks, and how that exposure is managed.

### **Chief Executive Officer and Chief Financial Officer declaration**

The CEO & Managing Director and the Chief Financial Officer give a declaration to the Board, before the Board resolves that the Directors' Declaration accompanying the full year and half year financial statements be signed, that in their opinion, the Company's financial records have been properly maintained, and the financial reports comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO & Managing Director and the Chief Financial Officer gave this declaration to the Directors for the full year ended 30 June 2019 and the half year ended 31 December 2018.

## **COMPLIANCE WITH LAWS AND POLICIES**

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The Company has adopted policies to monitor compliance with occupational health, safety, environment, anti-corruption and bribery, competition and consumer laws throughout the jurisdictions in which it operates.

There are also procedures providing employees with alternative means to usual management communication lines through which to raise concerns relating to suspected illegal or unethical conduct. The Company believes that whistleblowing can be an appropriate means to protect Boral and individuals, and ensure operations are conducted within the law.

There are ongoing programs for the audit of the large number of Boral operating sites. Occupational health and safety, environmental and other risks are covered by these audits. Boral has staff to monitor and advise on workplace health and safety and environmental issues and, in addition, education programs provide training and information on regulatory issues.

Boral has a dedicated Compliance Council, tasked with achieving compliance within Boral through collaboration across functional areas including Legal, Risk, Internal Audit, HSE, Property Group, Product Councils, Insurance, Finance, Tax, HR / IR, IT security and other areas of expertise. Given the multi-disciplinary nature of the compliance effort within Boral, regular, open communication facilitating collaboration across those groups is critical. The Compliance Council provides a regular forum, connecting the relevant expertise to foster and improve communication and collaboration, and to ensure that the right functional experts are engaged and working together to achieve business-wide regulatory compliance.

## CONDUCT AND ETHICS

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The Board's policy is that Boral's companies and employees must observe both the letter and the spirit of the law, adhere to high standards of business conduct and comply with best practice.

Boral's management guidelines include the Code of Business Conduct and other guidelines and policies that set out legal and ethical standards for employees. As part of performance management, employees are assessed against the Boral Values of Integrity, Excellence, Collaboration and Endurance.

The Code and related guidelines and policies guide the Directors, the CEO & Managing Director, the Chief Financial Officer, the Company Secretary and other key executives as to the practices necessary to maintain confidence in the Company's integrity, and as to the responsibility and accountability of individuals for reporting, and investigating reports of, unethical practices. The Code also guides compliance with legal and other obligations to stakeholders.

Employees are provided with regular training sessions about expected standards of behaviour, the Boral Values and compliance with the Code of Business Conduct. Compliance with the Code is monitored by senior management, and the Board is notified of material breaches. The Board reviews the Code periodically, and the next review is scheduled for FY2020.

*Boral's Code of Business Conduct is available on Boral's website.*

## REPORTING MISCONDUCT

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There are procedures providing employees with alternative means to usual management communication lines through which to raise concerns relating to suspected illegal or unethical conduct, including an external telephone service that enables reports to be made anonymously, a facility known as Faircall. The Company believes that whistleblowing can be an appropriate means to protect Boral and individuals, and to ensure that operations are conducted ethically and within the law.

At least twice a year, the Audit & Risk Committee receives a confidential report about the number, nature and status of Faircall reports received. All Directors have access to this report.

Material breaches of the Code of Business Conduct and other Boral policies including the anti-corruption and bribery policy (contained in the Code) are reported to the Board and/or Audit & Risk Committee as appropriate. All material conduct issues are reported to the Board, whether they are financial or non-financial in nature.

## DIVERSITY AT BORAL

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Diversity at Boral is led by the CEO & Managing Director, with the support of the Board overseeing the strategy and plan initiatives and progress on diversity objectives.

Management, supported and assisted by the Boral Diversity Council, is responsible for implementing initiatives throughout the businesses to achieve the Group's diversity objectives, and more generally to reinforce Boral's commitment to fostering an inclusive and supportive workplace in accordance with the principles outlined in the Diversity Policy.

Boral is committed to fostering an inclusive workplace that embraces diversity and recognises that a diverse workplace can:

- produce better business outcomes by leveraging the unique experiences of people with diverse backgrounds, and
- improve employee engagement and retention by fostering a culture that promotes personal achievement, and is based on fair and equitable treatment of all employees, irrespective of their individual backgrounds.

We believe that a diverse workforce is fundamental to implementing the strategy for the growth and success of the business.

Diversity at Boral is underpinned by the following principles:

- recruiting and promoting on merit
- remunerating on a non-discriminatory basis
- ensuring that development activities are available to all on a non-discriminatory basis, and
- striving to increase the proportion of women in the organisation, particularly in executive and senior management roles.

### Diversity – Measurable objectives for FY2019

Boral's diversity plan has six strategic elements against which the Board has set measurable objectives for FY2019, as outlined below:

Strategic Element and Objective	Status	Key Outcomes
<b>1 Leadership</b>		
1.1 Leadership engagement: engage senior leaders to take carriage of deploying diversity communication and education	Completed	<ul style="list-style-type: none"><li>• Two additional senior and operational leader unconscious knowledge awareness sessions were completed, including piloting an on-line platform for unconscious bias leadership learning.</li></ul>
	Completed	<ul style="list-style-type: none"><li>• Diversity targets adopted by Boral Australia. Senior leaders to have at least one diversity target in zero one ten personal objective plans.</li></ul>

Strategic Element and Objective	Status	Key Outcomes
<b>2 Communication and Education</b>		
2.1 Communication: develop communications engagement framework and packages to raise knowledge and understanding of diversity	Completed	<ul style="list-style-type: none"> <li>Launched communications including brochures, booklets and videos from employees and senior leaders on what diversity and inclusion mean to them.</li> <li>Extensive video library including messages from Mike Kane, Wayne Manners and others to educate and promote diversity and inclusion.</li> <li>47% of managers and supervisors in Boral Australia participated in an unconscious knowledge and awareness session in FY2019 against the target of 50%.</li> </ul>
	In progress	<ul style="list-style-type: none"> <li>Diversity Alumni sponsored and promoted “Diversity Conversations”; a series of one hour conversations with employees to progress discussion and conversations on diversity.</li> </ul>
2.2 Education: develop diversity educational framework to provide management with capability to lead and manage diversity and diverse teams	Completed	<ul style="list-style-type: none"> <li>680 front-line leaders completed the Zero[One]Ten Leader Foundations program, which includes modules on diversity, inclusion and unconscious bias.</li> </ul>
	Ongoing	<ul style="list-style-type: none"> <li>Participation of women in leadership development programs in FY2019 as 21% of all participants, slightly down from 26% in FY2018.</li> <li>Deploying online learning platform (Cognicity) for unconscious bias training for all employees from FY2020 onwards.</li> </ul>
2.3 Networking: establish Women in Leadership Forum series to provide networking opportunities for key leaders, with an emphasis on women leaders across Boral	Completed	<ul style="list-style-type: none"> <li>Diversity in Leadership Forum series attended by 29 participants in FY2019, with 46% of the participants being women in leadership roles. Forums provide opportunities for women leaders to develop networks, discuss gender issues in leadership, and consult with key leaders on issues of gender and diversity in their businesses. Forum series is sponsored by the CEO &amp; Managing Director and is chaired by the Chair of the Boral Diversity Council.</li> <li>Since FY2014, 160 employees have participated in a Forum and 76% of participants were women in leadership roles. This group forms the Diversity in Leadership Alumni which provide feedback on initiatives including the on-line learning platform on unconscious bias.</li> </ul>
	Ongoing	<ul style="list-style-type: none"> <li>Forum Alumni provides networking, advocacy and other opportunities to contribute to diversity matters in Boral.</li> <li>The Forum series is an ongoing initiative, with two Forums scheduled for each year. Target of 80% female participants. In FY2019, 38% of participants were male.</li> </ul>
2.4 Track and report: develop key performance indicators to measure, track and report on change and progress	Completed	<ul style="list-style-type: none"> <li>Diversity Dashboard being used to track, measure and report on progress with the diversity plan.</li> <li>Objectives developed by Boral Australia’s leadership team FY2019 reviewed to assess effectiveness on reporting on progression of diversity and inclusion and representation of women in leadership roles.</li> </ul>
	Ongoing	<ul style="list-style-type: none"> <li>Ongoing reporting and analysis by gender, pay levels, selection, retention and promotion, with results provided through the Diversity Dashboard to the Diversity Council for planning and program development.</li> </ul>
2.5 Benchmark: adopt external metric to measure and benchmark effectiveness of diversity strategy	Ongoing	<ul style="list-style-type: none"> <li>Long-term partnership with the Diversity Council of Australia continuing to identify best practice and benchmark the effectiveness of Boral’s diversity strategy and plan against external organisations.</li> <li>Boral is a member of the Australian Veteran’s Employment Coalition, working to support and progress defence force personnel transition to civilian employment. In FY2019 Boral won the Prime Ministers Veterans Employer of the Year – Large Employer Category for work on veterans employment.</li> </ul>

Strategic Element and Objective	Status	Key Outcomes
<b>3 System and Process Design</b>		
3.1 Search and selection: embed diversity principles in standardised recruitment	Ongoing	<ul style="list-style-type: none"> <li>Against a target of 50%, in FY2019, 30% of our graduate intake were women in professional and engineering disciplines. Of the graduates recruited to commence in FY2020, 75% were women engineers, reflecting senior leadership's commitment and focus to exceed the 50% target.</li> <li>23% of new hires in manager roles were women, and 31% of recruitment into professional roles were women.</li> </ul>
	In progress	<ul style="list-style-type: none"> <li>Targets for Boral Australia for FY2019 to improve recruitment and retention of women include: 30% of candidates for manager; 40% for professional; and 10% for machinery operator/driver/technician/trade roles; and an increase in the conversion rate of female candidates to placement by 5%. Against placement targets Boral achieved a 7% improvement into manager, 6% improvement into professional and 17% improvement into machinery operator/driver/technician/trade roles.</li> <li>To increase the number of female candidates applying for roles, Boral is piloting Work180, a global advocate for working women, providing job applicants with a transparent directory of endorsed employers who support diversity, inclusion and equality.</li> <li>A pilot program is in progress, supported by traineeships, alumni and recruitment processes to increase the number of former defence force personnel joining Boral in front-line roles, with a focus on drivers.</li> <li>Survey and focus groups to be run with women across a wide range of roles in Boral to understand their experiences and inform an approach to retention for women to commence in FY2020.</li> </ul>
	Completed	<ul style="list-style-type: none"> <li>Workplace Flexibility Guidebook launched across Boral Australia focused on supporting employees and managers with flexible work.</li> </ul>
3.2 Flexibility and flexible work practices: develop and implement policy, guidelines and education program to improve flexibility and flexible work outcomes	Ongoing	<ul style="list-style-type: none"> <li>Since launching the Workplace Flexibility initiative, 81% of employees who applied for an arrangement to work flexibly had their requested arrangement approved without change.</li> <li>Online learning module released to support Flexibility Guidebook deployment in FY2020.</li> <li>Tracking and reporting of working flexibly arrangement to measure effectiveness of policy and Workplace Flexibility Guidebook.</li> </ul>
	In progress	<ul style="list-style-type: none"> <li>Metrics and reporting being developed to measure use of Guidebook and on-line learning module.</li> </ul>
<b>4 Gender Equality and Equity</b>		
4.1 Analysis: complete an analysis of Boral pay equity at least annually to monitor pay rates and identify issues	Ongoing	<ul style="list-style-type: none"> <li>Ratio of female-to-male average base salary is 1.00:1.00, continuing to focus on pay equity outcomes on a total compensation basis.</li> <li>Annual external industry benchmarking of pay equity and comprehensive gender remuneration gap analysis completed.</li> </ul>
<b>5 Generational Diversity</b>		
5.1 Investigate: work/life needs of different generations to understand need to develop programs to lift capability of managers to effectively lead multi-generational teams	In progress	<ul style="list-style-type: none"> <li>Transition to retirement program piloted in FY2019, with feedback to inform initiatives in FY2020</li> </ul>

Strategic Element and Objective	Status	Key Outcomes
<b>6 Indigenous Relations</b>		
6.1 Indigenous Employment: through Indigenous Employment strategy, increase the representation of Indigenous employees in Boral's workforce	Ongoing	<ul style="list-style-type: none"> <li>Retention of Indigenous employees employed through Indigenous employment initiatives such as the FY2011 Indigenous Relations and Employment Plan continues to be a focus.</li> </ul>
6.2 Reflect Reconciliation Action Plan: progress the actionable commitments set out in the Plan	Completed	<ul style="list-style-type: none"> <li>Formal endorsement of Respect Reconciliation Action Plan by Reconciliation Australia.</li> </ul>
	In progress	<ul style="list-style-type: none"> <li>Working group established under the leadership of the Diversity &amp; Inclusion Council to work with leaders on achieving the actionable commitments set out in the Plan.</li> <li>Working group to develop dashboard to measure and report on progress on actionable commitments.</li> </ul>

## Proportion of female and male employees at Boral

The table below is a detailed representation of women and men working in Boral<sup>1</sup> as at 30 June 2019:

Role	Female		Male	
	Number	Percentage	Number	Percentage
Board	3	43	4	57
Executive management <sup>2</sup>	27	17	129	83
Middle management <sup>3</sup>	114	13	742	87
Other roles <sup>4</sup>	2,225	20	8,679	80
Total	2,366	20	9,550	80

1. Includes all full-time, part-time and casual employees of Boral and its wholly owned subsidiaries, but excludes employees in joint ventures and contractors.

2. Executive management includes leadership positions four reporting levels from the CEO & Managing Director.

3. Middle management includes management and leadership positions five and more reporting levels from the CEO & Managing Director, excluding supervisor and team leader positions.

4. Other roles includes key functional support roles such as finance, legal, human resources, technical, support services and frontline employees.

In accordance with the requirements of the *Workplace Gender Equality Act 2012* (Cth), Boral submitted its Workplace Gender Equality Public Report with the Workplace Gender Equality Agency. The Report can be viewed at [wgea.gov.au](http://wgea.gov.au) and on Boral's website.

For more information regarding people and diversity, see page 25 in the Sustainability Overview.

*Boral's Diversity Policy is available on Boral's website.*

## **DEALINGS IN BORAL SHARES**

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Under Boral's Share Trading Policy, trading in Boral shares by Directors, senior executives and other designated employees and their close associates is restricted to the following trading windows:

- the 30 day period commencing at 10.00am (Sydney time) on the day after the release of Boral's half year results announcement to the ASX
- the 30 day period commencing at 10.00am (Sydney time) on the day after the release of Boral's full year results
- the 30 day period commencing at 10.00am (Sydney time) on the day after the Annual General Meeting, and
- any additional period designated by the Board (or its delegate) from time to time (for example, during a period of enhanced disclosure).

The Policy precludes executives from entering into any hedge or derivative transactions relating to options or share rights granted to them as long-term incentives, regardless of whether or not the options or share rights have vested.

Breaches of the Policy are treated seriously and may lead to disciplinary action being taken against the executive, including dismissal.

Trading in Boral shares at any time is subject to the overriding prohibition on trading while in possession of inside information.

*Boral's Share Trading Policy is available on Boral's website.*

## **DIRECTORS' SHAREHOLDINGS**

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Under Boral's Constitution, Directors must hold a minimum of 1,000 ordinary shares in the Company.

To align the interests of non-executive Directors with the interests of our shareholders, the Board established minimum shareholding guidelines which encourage non-executive Directors to accumulate over time a holding of ordinary shares in the Company equivalent in approximate value to the gross annual base fee paid to each non-executive Director.

Under the guidelines, the minimum shareholding may be held directly or indirectly by a Director, and may be accumulated over a period of up to five years from the later of 1 July 2014 or the date of appointment.

The timeframe to allow Directors to build their minimum shareholding is a necessary reflection of the fact that Directors are very limited in the opportunities they have to acquire shares, given their exposure to price sensitive information from time to time regarding the Company.

Progress is monitored on an ongoing basis, and while at different points in time through FY2019 Boral's non-executive Directors met and exceeded these guidelines, if reviewed based on a closing share price at 30 June 2019 some holdings were slightly below the guideline due to the lower share price.

*Details of Directors' shareholdings in the Company are set out on page 58 of this Annual Report.*

## **CONTINUOUS DISCLOSURE**

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The Company appreciates the importance of timely and adequate disclosure to the market. It is committed to making timely and balanced disclosure of all material matters, and maintaining effective communication with its shareholders and investors so as to give them ready access to balanced and understandable information.

The Company has in place mechanisms designed to ensure compliance with all relevant disclosure laws and ASX Listing Rule requirements under the Continuous Disclosure Policy adopted by the Board. These mechanisms also ensure accountability at a senior executive level for that compliance.

The CEO & Managing Director, the Chief Financial Officer and the Company Secretary are responsible for determining whether or not information is required to be disclosed to the ASX. Announcements relating to significant matters, such as results, guidance to the market, major acquisitions or divestments, or other corporate matters which involve significant financial or reputational risk, are referred to the Board for approval, unless to do so is impractical in the circumstances (having regard to Boral's continuous disclosure obligations). In such cases, approval can be given by any two of the following officers: the CEO & Managing Director, the Chairman of the Board and the Chairman of the Audit & Risk Committee. The Company Secretary will endeavour to notify all other Directors of the possible disclosure considerations and invite them to participate in any discussions and disclosure decisions where possible. Directors are provided with copies of all announcements made pursuant to Boral's continuous disclosure obligations promptly after they have been made.

*Boral's Continuous Disclosure Policy is available on Boral's website.*

## COMMUNICATIONS WITH SHAREHOLDERS

The Company's policy is to promote effective two-way communication with shareholders and other investors so they understand Boral's business, governance, financial performance and prospects, as well as how to assess relevant information about Boral and its corporate activities.

Investor relations	Boral has a dedicated investor relations team that facilitates ongoing engagement with institutional shareholders, retail investor groups, analysts and proxy advisors. To encourage two-way communication, the Company's investor relations team and share registry can be contacted directly by shareholders by telephone or electronically via email. The links to these contacts are available on the Boral website at <a href="http://www.boral.com/corporate">www.boral.com/corporate</a>
Annual reporting	Shareholders may elect to receive annual reports electronically or to receive notifications via email when reports are available online. Hard copy annual reports are provided to those shareholders who elect to receive them. While companies are not required to send annual reports to shareholders other than those who have elected to receive them, any shareholder who has not made an election is sent an easy-to-read summary of the Annual Report, called the Boral Review.
Company announcements	All formal reporting and Company announcements made to the ASX are published on Boral's website after confirmation of lodgement has been received from the ASX. These documents are also available for download by mobile devices from Boral's Investor Relations (IR) app, which is available for no cost from the App Store or Google Play. Furthermore, Boral has an email list of investors, analysts and other interested parties who are sent relevant announcements via email alert after those announcements have been lodged with the ASX. Announcements are also sent to major media outlets and newswire services for broader dissemination.
General meetings	<p>Boral encourages shareholders to attend and participate in all general meetings including annual general meetings. Shareholders are entitled to ask questions about the management of the Company and of the auditor as to its conduct of the audit and preparation of its reports.</p> <p>Notices of Meeting are accompanied by explanatory notes to provide shareholders with information to enable them to decide whether to attend and how to vote upon the business of the meeting. Full copies of Notices of Meeting and explanatory notes are posted on Boral's website. If shareholders are unable to attend general meetings, they may vote by appointing a proxy using the form attached to the Notice of Meeting or an online facility.</p>
Annual General Meeting	<p>Shareholders are invited, at the time of receiving the Notice of Meeting, to put forward questions they would like addressed at the AGM.</p> <p>At the AGM, shareholders have a reasonable opportunity to ask the external auditor questions in relation to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements of the Company, and the independence of the external auditor in relation to the conduct of the audit.</p>

Boral's policy on communications with shareholders is available on Boral's website.

## CONCLUSION

While the Board is satisfied with its level of compliance with governance requirements, it recognises that practices and procedures can always be improved. Accordingly, the corporate governance framework of the Company will be kept under review to take account of changing standards and regulations.