



# ASX RELEASE

21 June 2017

## CEO & Managing Director's employment contract

Boral Limited today announced that it has entered into a new employment agreement with its CEO & Managing Director, Mike Kane.

Boral's Chairman, Dr Brian Clark, said that the Board is very pleased that Mr Kane will remain in his current role and continue to lead and deliver Boral's transformation strategy.

"Over the past five years under Mike's leadership, Boral has delivered significant earnings growth and performance improvements. Boral has been transformed into a company with a larger international footprint that is positioned to deliver strong returns, capture future growth opportunities, and effectively respond to market conditions and customer needs," said Dr Clark.

Mr Kane's remuneration arrangements have been restructured to reflect the fact that he is now spending approximately half of his time in the USA, as announced on 5 May 2017 following completion of the Headwaters acquisition.

"The time that Mike will spend in the USA during the Headwaters integration and synergy delivery demonstrates the importance of this strategic acquisition to Boral's future growth.

"Boral is an Australian-listed company with its headquarters in Sydney, and Boral will continue to remunerate Mr Kane having regard to Australian practice. However, because Mike will be spending around half of his time with Boral's business in the USA in the coming years and because his family is in the USA, it makes good sense for the Company and for Mike to restructure his remuneration," said Dr Clark.

The restructured arrangements mean that Boral will pay Mr Kane out of the USA and the Company will resume contributions to his US-based pension. In addition, Boral will no longer need to provide Mr Kane with expatriate benefits including rental assistance in Sydney and home visit support. As a result, the CEO's non-monetary benefits will substantially reduce.

The attached appendix provides an overview of the key details of Mr Kane's new contract and remuneration package.

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## Appendix

### Boral Limited

#### Summary of the Key Terms of new employment arrangements with Mike Kane as CEO & Managing Director, effective 1 July 2017

- Term:** Ongoing (ie no fixed term)
- Base Cash Salary (BCS):** Initial BCS will be AUD 1,722,563 per annum, payable in USD, with a one-off conversion to USD on 1 July 2017 calculated based on the Reserve Bank of Australia's daily AUD/USD exchange rate, averaged over the period from 1 July 2016 to 30 June 2017.
- The next review of BCS will take place in September 2018 and annually thereafter.
- BCS is exclusive of pension contributions and other benefits.
- Pension Plan:** Under his new employment arrangements, Boral will resume contributions to Mr Kane's US-based pension plans, including the:
- 401K Plan: as offered by employers to a large portion of the workforce, which is a close equivalent to an Australian superannuation fund and is covered by US federal legislation
  - Supplemental Executive Retirement Plan (**SERP**): a US pension scheme provided to a small group of senior executives (which is common practice in the US). Contributions to SERP are made at a rate of 8% of both BCS and total STI awards for all participating executives.
- Other benefits:** Mr Kane will be entitled to the following benefits in line with Boral policy for its US executives:
- motor vehicle lease
  - medical and dental coverage
  - life and disability insurances.



**Incentives:**

Under his new employment arrangements, Mr Kane is entitled to incentive awards calculated by reference to his BCS.

*Short Term Incentive*

The amount of the short term incentive (**STI**) payment in any year will be determined by the Board by assessment of Mr Kane's performance against targets set by the Board at the start of each financial year.

For performance outcomes at target level, Mr Kane would receive 110% of his BCS. For performance outcomes at stretch level (achievable only in exceptional circumstances), Mr Kane would receive 154% of his BCS.

Under Boral's current STI arrangements, 80% of any earned STI award is delivered in cash and 20% is deferred into equity for a period of two years.

*Long Term Incentive*

Mr Kane will continue to be eligible to participate in Boral's Long Term Incentive (**LTI**) plan on terms to be determined by the Board.

LTI grants will be subject to receipt of any required or appropriate shareholder approvals.

Shareholders will be asked to approve the FY2018 grant of performance rights to Mr Kane at the 2017 Annual General Meeting. Consistent with prior years, the terms of grant will be set out in the Notice of Meeting and the grant will be made shortly after the Meeting if shareholder approval is obtained.

As announced last year and in light of investor feedback, for FY2018 Boral has moved from a **fair value** to **face value** LTI allocation methodology.

The FY2018 Grant will have an aggregate **face value** equivalent to 220% of Mr Kane's BCS.

Under Boral's current LTI arrangements, two-thirds of any grant is subject to a relative Total Shareholder Return hurdle and one-third is subject to a Return on Funds Employed hurdle.

**Termination Provisions:**

Mr Kane's termination entitlements and notice periods remain the same as previously disclosed, except that any payment in lieu of notice or separation payment will be calculated by reference to BCS instead of total fixed remuneration.