James Hardie Industries plc
Form 20-F
June 27, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 31 March 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 1-15240

JAMES HARDIE INDUSTRIES plc

Formerly Known As James Hardie Industries SE

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant s name into English)

Ireland

(Jurisdiction of incorporation or organisation)

Europa House, Second Floor

Harcourt Centre

Harcourt Street, Dublin 2, Ireland

(Address of principal executive offices)

Marcin Firek

(Contact name)

353 1411 6924 (Telephone) 353 1479 1128 (Facsimile)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common stock, represented by CHESS Units of Foreign Securities	New York Stock Exchange*
CHESS Units of Foreign Securities	New York Stock Exchange*
American Depositary Shares, each representing five units of CHESS Units of Foreign Securities	New York Stock Exchange

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* Listed, not for trading, but only in connection with the registered American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report 441,644,484 shares of common stock at 31 March 2013.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No

Note Checking the box will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standards as issued	Other ¨

by the International Accounting Standards Board ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

¨ Item 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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In this annual report, unless the context otherwise indicates, James Hardie Industries plc, a public limited company, or a European company incorporated and existing under the laws of Ireland, is referred to as JHI plc. JHI plc together with its direct and indirect wholly owned subsidiaries as of the time relevant to the applicable reference, are collectively referred to as the James Hardie Group. JHI plc and its current direct and indirect wholly owned subsidiaries are collectively referred to as we, us, our, JHI plc and its wholly owned subsidiaries , James Hardie or the Company.

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For certain information about the basis of preparing the financial information in this Annual Report, see Section 2, Reading this Report. In addition, this Annual Report contains statements that constitute forward-looking statements . For an explanation of forward-looking statements and the risks, uncertainties and assumptions to which they are subject, see Section 2, Reading this Report.

A Glossary of Abbreviations and Definitions has also been included under Section 4 of this Annual Report.

Information contained in or accessible through the websites mentioned in this Annual Report does not form part of this report unless we specifically state that it is incorporated by reference and forms part of this report. All references in this report to websites are inactive textual references and are for information only.

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SECTION 1

INTRODUCTION

The Company is a world leader in manufacturing fibre cement siding and backerboard. Our current primary geographic markets include the United States (US), Australia, New Zealand, the Philippines, Europe and Canada.

Our fibre cement products are used in a number of markets, including new residential construction, manufactured housing, repair and remodeling and a variety of commercial and industrial applications.

We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades and floor and tile underlay.

We employ approximately 2,700 people and generated net sales of US$1.3 billion in fiscal year 2013.

SELECTED FINANCIAL DATA

We have included in this annual report the audited consolidated financial statements of the Company, consisting of our consolidated balance sheets as of 31 March 2013 and 2012, and our consolidated statements of operations and comprehensive income (loss), changes in shareholders equity (deficit) and cash flows for each of the years ended 31 March 2013, 2012 and 2011, together with the related notes thereto. The consolidated financial statements included in this annual report have been prepared in accordance with accounting principles generally accepted in the US, or US GAAP.

The selected consolidated financial information summarised below for the five most recent fiscal years has been derived in part from the Company s financial statements. You should read the selected consolidated financial information in conjunction with the Company s financial statements and related notes contained in Section 2, Consolidated Financial Statements and with the information provided in Section 2, Management s Discussion and Analysis. Historic financial data is not necessarily indicative of our future results and you should not unduly rely on it.

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	Fiscal Year ended 31 March				
	2013	2012	2011	2010	2009
	(In millions of US dollars except sales price per unit and per share data)				
Consolidated Statements of Operations Data:					
Net Sales					
USA and Europe Fibre Cement[1]	$ 951.4	$ 862.0	$ 814.0	$ 828.1	$ 929.3
Asia Pacific Fibre Cement[2]	369.9	375.5	353.0	296.5	273.3
Total net sales	$ 1,321.3	$ 1,237.5	$ 1,167.0	$ 1,124.6	$ 1,202.6
Operating income (loss)[3]	$ 29.5	$ 155.5	$ 104.7	$ (21.0)	$ 173.6
Interest expense	(5.5)	(11.2)	(9.0)	(7.7)	(11.2)
Interest income	7.9	3.8	4.6	3.7	8.2
Other income (expense)[4]	1.8	3.0	(3.7)	6.3	(14.8)
Income (loss) from operations before income taxes	33.7	151.1	96.6	(18.7)	155.8
Income tax benefit (expense)[5]	11.8	453.2	(443.6)	(66.2)	(19.5)
Income (loss) from operations	$ 45.5	$ 604.3	$ (347.0)	$ (84.9)	$ 136.3
Net income (loss)	$ 45.5	$ 604.3	$ (347.0)	$ (84.9)	$ 136.3
Income (loss) from operations per common share basic	$ 0.10	$ 1.39	$ (0.80)	$ (0.20)	$ 0.32
Net income (loss) per common share basic	$ 0.10	$ 1.39	$ (0.80)	$ (0.20)	$ 0.32
Income (loss) from operations per common share diluted	$ 0.10	$ 1.38	$ (0.80)	$ (0.20)	$ 0.31
Net income (loss) per common share diluted	$ 0.10	$ 1.38	$ (0.80)	$ (0.20)	$ 0.31
Dividends paid per share	$ 0.43	$ 0.04	$	$	$ 0.08
Weighted average number of common shares outstanding					
Basic	439.2	436.2	435.6	433.1	432.3
Diluted	440.6	437.9	435.6	433.1	434.5
Consolidated Cash Flow Information:					
Cash flows provided by (used in) operating activities	$ 109.3	$ 387.2	$ 147.2	$ 183.1	$ (45.2)
Cash flows used in investing activities	$ (59.7)	$ (49.9)	$ (49.6)	$ (50.5)	$ (26.1)
Cash flows (used in) provided by financing activities	$ (158.7)	$ (84.4)	$ (89.7)	$ (159.0)	$ 25.0
Other Data:					
Depreciation and amortisation	$ 61.2	$ 65.2	$ 62.9	$ 61.7	$ 56.4
Adjusted EBITDA[6]	$ 90.7	$ 220.7	$ 167.6	$ 40.7	$ 230.0
Capital expenditures	$ 61.1	$ 35.8	$ 50.3	$ 50.5	$ 26.1
Volume (million square feet)					
USA and Europe Fibre Cement[1]	1,488.5	1,331.8	1,248.0	1,303.7	1,526.6
Asia Pacific Fibre Cement[2]	393.7	392.3	407.8	389.6	390.6
Average sales price per unit (per thousand square feet)					
USA and Europe Fibre Cement[1]	US$ 639	US$ 647	US$ 652	US$ 635	US$ 609
Asia Pacific Fibre Cement[2]	A$ 911	A$ 916	A$ 916	A$ 894	A$ 879

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	Fiscal Year ended 31 March 2013	2012	2011 (Millions of US dollars)	2010	2009
Consolidated Balance Sheet Data:					
Net current assets[7]	$ 373.7	$ 463.3	$ 126.9	$ 50.4	$ 137.7
Total assets	$ 2,107.6	$ 2,310.0	$ 1,960.6	$ 2,178.8	$ 1,891.7
Total debt[8]	$	$ 30.9	$ 59.0	$ 154.0	$ 324.0
Common stock	$ 227.3	$ 224.0	$ 222.5	$ 221.1	$ 219.2
Shareholders equity (deficit)	$ 18.2	$ 126.4	$ (454.5)	$ (117.9)	$ (108.7)

1 On 1 April 2008, the Company realigned its operating segments by combining the previously reported segments of USA Fibre Cement and Other into one operating segment, USA and Europe Fibre Cement. The USA and Europe Fibre Cement segment manufactures fibre cement interior linings, exterior siding and related accessory products in the United States which are sold in the United States, Canada and Europe.

The segment also includes fibre reinforced concrete pipes manufactured and sold in the United States (through May 2008). Our Plant City, Florida Hardie Pipe Plant was closed and the business ceased operations in May 2008.

2 The Asia Pacific Fibre Cement segment includes all fibre cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand, Asia, the Middle East (Israel, Kuwait, Qatar and United Arab Emirates) and various Pacific Islands.

3 Operating income (loss) includes the following asbestos adjustments, Asbestos Injuries Compensation Fund (AICF) SG&A expenses, Australian Securities and Investments Commission (ASIC) related (expenses) recoveries, asset impairment charges, and New Zealand product liability expenses:

	Fiscal Years Ended 31 March 2013	2012	2011 (Millions of US dollars)	2010	2009
(Unfavourable) favourable asbestos adjustments	$ (117.1)	$ (15.8)	$ (85.8)	$ (224.2)	$ 17.4
AICF SG&A expenses	$ (1.7)	$ (2.8)	$ (2.2)	$ (2.1)	$ (0.7)
ASIC related (expenses) recoveries	$ (2.6)	$ (1.1)	$ 8.7	$ (3.4)	$ (14.0)
Asset impairments	$ (16.9)	$ (14.3)	$	$	$
New Zealand product liability expenses[9]	$ (13.2)	$ (5.4)	$	$	$

For additional information on the asbestos adjustments, AICF SG&A expenses, ASIC related (expenses) recoveries, asset impairment charges and New Zealand product liability expenses, see Section 2, Management s Discussion and Analysis and Notes 7, 11 and 13 to our consolidated financial statements in Section 2.

4 Other income (expense) in fiscal years 2013, 2012 and 2011 are due to changes in the fair value of interest rate swap contracts. Other income in fiscal year 2010 primarily includes a realised gain arising from the sale of restricted short-term investments held by AICF. Other expense in fiscal year 2009 consists of an other-than-temporary impairment charge related to restricted short-term investments held by AICF of US$14.8 million. For additional information see Section 2, Management s Discussion and Analysis Results of Operations.

5 Income tax benefit in fiscal year 2012 includes a benefit of US$485.2 million recognised upon RCI s successful appeal of the Australian Taxation Office s (ATO) disputed 1999 amended tax assessment. Income tax expense in fiscal year 2011 includes a charge of US$345.2 million resulting from the dismissal by the Federal Court of Australia of RCI s appeal of the ATO s disputed 1999 amended tax assessment.

6 Adjusted EBITDA represents income from operations before interest income, interest expense, income taxes, other non-operating income (expense), described in footnote four above, and depreciation and amortisation charges. The following table presents a reconciliation of Adjusted EBITDA to net cash provided by (used in) operating activities, as this is the most directly comparable GAAP financial measure to Adjusted EBITDA for each of the periods indicated. Items comprising Net cash provided by (used in) operating activities, Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities and Change in operating assets and liabilities, net for fiscal years ended 31 March 2013, 2012 and 2011 are set forth in the consolidated statements of cash flows in Section 2 of this report.

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	Fiscal Years Ended 31 March				
	2013	2012	2011	2010	2009
	(Millions of US dollars)				
Net cash provided by (used in) operating activities	$ 109.3	$ 387.2	$ 147.2	$ 183.1	$ (45.2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities	(145.9)	(114.4)	(136.8)	(312.0)	(3.5)
Change in operating assets and liabilities, net	82.1	331.5	(357.4)	44.0	185.0
Net income (loss)	45.5	604.3	(347.0)	(84.9)	136.3
Income tax (benefit) expense	(11.8)	(453.2)	443.6	66.2	19.5
Interest expense	5.5	11.2	9.0	7.7	11.2
Interest income	(7.9)	(3.8)	(4.6)	(3.7)	(8.2)
Other (income) expense	(1.8)	(3.0)	3.7	(6.3)	14.8
Depreciation and amortisation	61.2	65.2	62.9	61.7	56.4
Adjusted EBITDA	$ 90.7	$ 220.7	$ 167.6	$ 40.7	$ 230.0

Adjusted EBITDA is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or net cash provided by (used in) operating activities, as defined by US GAAP, or as a measure of our profitability or liquidity. Not all companies calculate Adjusted EBITDA in the same manner as we have and, accordingly, Adjusted EBITDA may not be comparable with other companies. We have included information concerning Adjusted EBITDA because we believe that this data is commonly used by investors to evaluate the ability of a company s earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements. To permit evaluation of this data on a consistent basis from period to period, Adjusted EBITDA has been adjusted for non-cash charges, as well as non-operating income and expense items.

[7] Total current assets less total current liabilities.

[8] Total debt at 31 March 2012 represents the amount owed by AICF under a secured standby loan facility with the government of New South Wales (Facility). On 3 April 2012, all amounts outstanding under the AICF loan facility were fully repaid. Because the Company consolidates AICF due to pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the Amended and Restated Final Funding Agreement (AFFA), any drawings, repayments or payments of accrued interest by AICF under the Facility impact the Company s consolidated financial position, results of operations and cash flows. James Hardie Industries plc and its wholly-owned subsidiaries are not a party to, guarantor of, or security provider in respect of the Facility.

[9] The Company began separately disclosing New Zealand product liability expenses in fiscal year 2013 and did so for fiscal year 2012 for comparative purposes only.

INFORMATION ON THE COMPANY

History and Development of the Company

The Company was established in 1888 as an import business. In 1951, the Company became publicly owned as a listed company on the Australian Stock Exchange. After becoming a listed company, the Company built up a diverse portfolio of building and industrial products including a wide range of asbestos-based products. In the mid-1980s, we pioneered the development of asbestos-free fibre cement technology and began designing and manufacturing a wide range of fibre cement building products that made use of the benefits that came from the products durability, versatility and strength. Using the technical and manufacturing expertise developed in Australia, we expanded our operations, in particular to the United States, to become a specialised manufacturer of a wide range of fibre cement building materials.

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Our legal name was changed to James Hardie Industries N.V. from RCI Netherlands Holdings B.V. in July 2001 when our legal form was converted from a *besloten vennootschap met beperkte aansprakelijkheid* (B.V.), to a *naamloze vennootschap* (N.V.), or a public limited liability company whose stock, unlike a private limited liability company, may be transferred without executing a notarial deed if such company is listed on a recognised stock exchange. In February 2001, the shareholders of James Hardie Industries Limited (JHIL) agreed to exchange their shares for shares in James Hardie Industries N.V., which retained its primary listing on the Australian Securities Exchange (ASX). In February 2010, our legal name was changed to James Hardie Industries SE when our legal form was converted from a Dutch N.V. to a Dutch Societas Europaea (SE) in connection with the implementation of Stage 1 of a two-stage re-domicile proposal (together, the re-domicile) to change our registered corporate domicile from The Netherlands to Ireland. On 17 June 2010, we implemented Stage 2 of the re-domicile and changed our registered corporate domicile to Ireland to become an Irish SE and became an Irish tax resident on 29 June 2010. On 15 October 2012, we converted from an Irish SE into an Irish public limited company (plc).

We conduct our operations under legislation in various jurisdictions. As an Irish plc we are governed by the Irish Companies Acts. In addition, we operate under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the New York Stock Exchange (NYSE), the United States Securities and Exchange Commission (SEC), the Irish Takeover Panel and various other rulemaking bodies.

Our corporate domicile is located in Ireland. The address of our registered office in Ireland is Europa House, Second Floor, Harcourt Centre, Harcourt Street, Dublin 2, Ireland. The telephone number there is +353 1411 6924. Our agent in the United States is CT Corporation. Its office is located at 3 Winners Circle, 3rd Floor, Albany, New York 12205.

Corporate Restructuring

On 17 May 2011, we announced that we had commenced an internal reorganisation involving the simplification of our corporate structure, including some of the arrangements which were previously part of our Netherlands domicile. This internal reorganisation is being made to facilitate the ability to access and distribute surplus cash flows and earnings of our operating subsidiaries more efficiently, including for the purpose of making periodic contributions to AICF. As part of this restructure, the Company incurred a tax charge of US$32.6 million on undistributed earnings of its US subsidiaries during fiscal year 2011, related to the remittance of US earnings as part of the internal reorganisation.

The following is a simplified diagram of our current corporate structure:

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Consolidation of AICF

In February 2007, our shareholders approved the AFFA entered into on 21 November 2006 to provide long-term funding to AICF. JHI plc owns 100% of James Hardie 117 Pty Ltd (the Performing Subsidiary) that funds AICF subject to the provisions of the AFFA. We appoint three of AICF s directors and the New South Wales (NSW) Government appoints two of AICF s directors.

Under the terms of the AFFA, the Performing Subsidiary has an obligation to make payments to AICF on an annual basis. The amount of these annual payments is dependent on several factors, including our free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the annual cash flow cap. JHI plc guarantees the Performing Subsidiary s obligation. As a result, for purposes of US GAAP, we consider JHI plc to be the primary beneficiary of AICF.

Although we have no legal ownership in AICF, for financial reporting purposes, our interest in AICF is considered variable and we consolidate AICF due to our pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA. Our consolidation of AICF results in a separate recognition of the asbestos liability and certain other asbestos-related assets and liabilities on our consolidated balance sheet. Among other items, we record a deferred tax asset for the anticipated future tax benefit we believe is available to us that arises from amounts contributed to the asbestos fund by the Performing Subsidiary. Since fiscal year 2007, movements in the asbestos liability arising from changes in foreign currency or actuarial adjustments are classified as *asbestos adjustments*, and the income tax benefit arising from contributions to AICF is included within *income tax benefit (expense)* on our consolidated statements of operations and comprehensive income (loss) when realised. See Note 2 to our consolidated financial statements in Section 2.

Business Overview

General Overview of our Business

Based on net sales, we believe we are the largest manufacturer of fibre cement products and systems for internal and external building construction applications in the United States, Australia, New Zealand, and the Philippines. We market our fibre cement products and systems under various Hardie brand names, such as HardieBacker® boards, and other brand names such as Artisan® Lap and Artisan™ Accent Trim by James Hardie, Cemplank® and Prevail® siding (we also formerly marketed siding under the brand name Sentry™ siding), and Scyon advanced lightweight cement composite products such as Scyon Stria cladding. We believe that, in certain applications, our fibre cement products and systems provide a combination of distinctive performance, design and cost advantages when compared to other fibre cement products and alternative products and systems that use solid wood, engineered wood, vinyl, brick, stucco or gypsum wallboard. The sale of fibre cement products in the United States accounted for 70%, 67% and 68% of our total net sales in fiscal years 2013, 2012 and 2011, respectively.

Our fibre cement products are used in a number of markets, including new residential construction (single and multi-family housing), manufactured housing (mobile and pre-fabricated homes), repair and remodeling and a variety of commercial and industrial applications (stores, warehouses, offices, hotels, motels, schools, libraries, museums, dormitories, hospitals, detention facilities, religious buildings and gymnasiums). We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades, and floor and tile underlayments.

In contrast to some other building materials, fibre cement provides durability attributes, such as strong resistance to moisture, fire, impact and termites, requires relatively little maintenance and can be used as a substrate to create a wide variety of architectural effects with textured and colored finishes.

The breakdown of our net sales by operating segment for each of our last three fiscal years is as follows:

	Fiscal Year Ended 31 March		
	2013	2012	2011
		(Millions of US dollars)	
USA and Europe Fibre Cement	$ 951.4	$ 862.0	$ 814.0
Asia Pacific Fibre Cement	369.9	375.5	353.0
Total	$ 1,321.3	$ 1,237.5	$ 1,167.0

Industry Overview

US Housing Industry and Fibre Cement Industry

In the United States, fibre cement is principally used in the residential building industry. Such usage fluctuates based on the level of new home construction and the repair and remodeling of existing homes. The level of activity is generally a function of interest rates and the availability of financing to homeowners to purchase a new home or make improvements to their existing homes, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for building products is also affected by residential housing starts and existing home sales, the age and size of the housing stock and overall home improvement expenditures. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company s performance, were up 27% to 565,900 for fiscal year 2013, compared to fiscal year 2012.

In the United States, the largest application for fibre cement products is in the external siding industry. Siding is a component of every building and it usually occupies more square footage than any other external building component, such as windows and doors. Selection of siding material is based on installed cost, durability, aesthetic appeal, strength, weather resistance, maintenance requirements and cost, insulating properties and other features. Different regions of the United States show a decided preference amongst siding materials according to economic conditions, weather, materials availability and local preference. The principal siding materials are vinyl, stucco, fibre cement, solid wood and brick. Vinyl has the largest share of the siding market.

International Fibre Cement Industry

In Australia and New Zealand, fibre cement building products are used in both the residential and commercial building industries with applications in external siding, internal walls, ceilings, floors, soffits and fences. The residential building industry represents the principal market for fibre cement products. We believe the level of activity in this industry is generally a function of interest rates, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for fibre cement building products is also affected by the level of new housing starts and renovation activity.

Fibre cement products have, across a range of product applications, gained broader acceptance in Australia and New Zealand than in the United States, primarily due to earlier introduction in Australia and New Zealand.

Australia

According to the Australian Bureau of Statistics total dwelling commencements in Australia increased from 146,500 in calendar year 2011 to 148,000 in calendar year 2012 and detached houses decreased from 91,800 in calendar year 2011 to 89,200 in calendar year 2012. Renovation activity, as measured by the Australian Bureau of Statistics by construction work done, has decreased approximately 10% from calendar year 2011 to calendar year 2012. The Housing Industry Association of Australia expects new housing construction and renovation activity to be up slightly over the short-to-medium term.

Former subsidiaries of ABN 60 Pty Limited (ABN 60) developed fibre cement in Australia as a replacement for asbestos cement in the early 1980s. Asbestos cement sheet production ceased in the early 1980s and asbestos cement pipe production ceased in 1987. Competition has intensified over the past decade in Australia. In addition to competition from solid wood, engineered wood, wallboard, masonry and brick, two Australian competitors have established fibre cement manufacturing facilities in Australia and fibre cement imports are also growing.

New Zealand

According to Statistics New Zealand, new dwellings consents in New Zealand increased from approximately 14,600 for the year ended March 2012 to 17,400 for the year ended March 2013. Residential renovation activity in New Zealand has increased from the year ended March 2012 to the year ended March 2013 for a total increase over this period of approximately 8%. InfoMetrics New Zealand expects new housing construction and renovation activity to increase further during calendar year 2013, consistent with the growth during calendar year 2012.

Competition continues to intensify in New Zealand as fibre cement imports have become more cost competitive and overseas manufacturers struggling with the global recession look for additional markets to add to their existing ones.

Philippines

In the Philippines and other Asian and Middle Eastern (Israel, Kuwait, Qatar and the United Arab Emirates) markets, fibre cement building products are used in both the residential and commercial building industries with applications in ceilings, internal walls and external siding, facades and soffits. The residential building industry represents the principal market for fibre cement products. In general, fibre cement products have, across a range of product applications, gained broader acceptance in these regions over the last decade. In the Philippines, additional imported fibre cement products have entered the market. However, in some of the developing markets, gypsum usage has increased and penetrated into fibre cement applications. Fibre cement and asbestos cement production facilities are located throughout Asia and exporting between countries is common practice. Unlike some of our competitors in the Asian market, we do not manufacture fibre cement products containing asbestos. We believe that fibre cement has good long-term growth potential because of the benefits of light-weight and framed construction compared to traditional masonry construction. In addition, we believe the opportunity to replace wood-based products, such as plywood, with more durable fibre cement will be attractive to some consumers in some of these markets.

Europe

In Europe, fibre cement building products are used in both residential and commercial building applications in external siding, internal walls, floors, soffits and roofing. We compete in most segments except roofing and promote the use of fibre cement products against traditional masonry, gypsum-based products and wood-based products. Since we commenced selling our products in Europe in fiscal year 2004, we have continued to work to grow demand for our products by building awareness among distributors, builders and contractors. Management believes that the growth outlook for fibre cement in Europe is favourable in light of stricter insulation requirements driving demand for advanced exterior cladding systems as well as better building practices increasing the use of fibre cement in interior applications.

Products

We manufacture fibre cement products in the United States, Australia, New Zealand and the Philippines. In fiscal year 2004, we commenced our European fibre cement business by distributing our fibre cement products in the United Kingdom and France. We also manufacture fibre cement pipes in Australia and previously manufactured fibre cement pipes and roofing products in the United States. In May 2008 and April 2006, we ceased operation of our pipes and roofing businesses, respectively, in the United States. Our total product offering is aimed at the building and construction markets, including new residential construction, manufactured housing, repair and remodeling and a variety of commercial and industrial building applications.

We offer a wide range of fibre cement products for both exterior and interior applications. In the United States and elsewhere, our products are typically sold as planks or flat sheets with a variety of patterned profiles and finishes. Planks are used for external siding while flat sheets are used for internal and external wall linings and floor and tile underlayments. Outside the United States, we also manufacture fibre cement products for use in other applications such as building facades, lattice, fencing, decorative columns, flooring, soffit lining and ceiling applications, some of which have not yet been introduced into the United States.

We developed a proprietary technology platform that enables us to produce thicker yet lighter-weight fibre cement products that are generally lighter and easier to handle than traditional building products. The first application of this technology in the United States has been our HardieTrim® board. HardieTrim board is a fibre cement trim product that is used on the exterior of residential and commercial construction to replace traditional wood and engineered wood trim. HardieTrim board was launched in fiscal year 1999, with the introduction of HardieTrim HLD board.

We believe that our products provide certain performance, design and cost advantages. The principal fibre cement attributes in exterior applications are durability and low maintenance, particularly when compared to competing wood and wood-based products, while offering comparable aesthetics. Our fibre cement products exhibit resistance to the damaging effects of moisture, fire, impact and termites compared to wood and wood-based products, which we believe has enabled us to gain a competitive advantage over competing products. Vinyl siding products generally have better durability characteristics than wood-based products, but typically cannot duplicate fibre cement s aesthetics and the characteristics necessary for effectively accepting paint applications.

Our fibre cement products provide strength and the ability to imprint patterns that closely resemble patterns and profiles of traditional materials such as wood and stucco. The surface properties provide an effective paint-holding finish, compared to wood and engineered wood products, such that the periods between necessary maintenance and repainting are generally longer. Compared to masonry construction, fibre cement is lightweight, physically flexible and can be cut using readily available tools. This makes fibre cement suitable for lightweight construction across a range of architectural styles. Fibre cement is well suited to both timber and steel-framed construction.

In our interior product range, we believe our ceramic tile underlayment products exhibit better handling and installation characteristics compared to fibreglass mesh cement boards. Compared to wood and wood-based products, our products provide the same general advantages that apply to external

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applications. In addition, our fibre cement products exhibit less movement in response to exposure to moisture than many alternative competing products, providing a more consistent and durable substrate on which to install tiles. In internal lining applications where exposure to moisture and impact damage are significant concerns, our products provide superior moisture resistance and impact resistance than traditional gypsum wet area wallboard and other competing products.

In the United States, the following new products were released over the last five years:

- During fiscal year 2009, we introduced two new siding profiles, HardieSoffit® Beaded Porch Panel and HardieShingle® Shingle Plank.
- During fiscal year 2010, we introduced HardieZone® System siding products.
- During fiscal year 2011, we introduced new HardieShingle® siding, HardieTrim® NT3® Boards, two new lap siding products, 12 Artisan® Accent Trim and HardieBacker® ProGrid cement board.
- During fiscal year 2012, we introduced new profile HZ5® HardiePlank® siding, additional HardieShingle® siding profiles, new Improved Smooth HardieTrim® boards, new HardieTrim® Crown Mouldings and three new colors to the palette for James Hardie® products using ColorPlus® technology.
- During fiscal year 2013, we introduced a new profile HZ10® HardiePlank® siding.

In Australia and New Zealand, new products released over the past five years in the Scyon lightweight advanced cement composite range include Axon cladding, Stria cladding, Secura Interior Flooring, and Secura Exterior Flooring and Axent trim, and Horizon Lining in the James Hardie product range; in Australia only, new products include: Matrix cladding; and additionally, in New Zealand only, the following new products were released: in the James Hardie product range ShingleSide panel, Linea Oblique cladding, CLD Cavity Battens, RAB PreClad Lining and homeRAB board (Rigid Air Barrier products), Horizon Lining, and RawForm Lining. In both countries, new product launches have been supported by the launch of energy efficiency related accessories such as HardieBreak thermal break tape as well as web based initiatives such as the ACCEL suite of online product information, calculator and application tools, the LookHome and LightHome e-zines as well as the SmarterGreen, SmarterPartner, SmarterDesign and The Smarter Small Home initiatives. In New Zealand, The Drawing Board online design tool provides an aid to smart design using James Hardie products.

In the Philippines, new products released over the past five years include Hardieplank Siding, Hardiefloor Systems and Hardiepattern Boards. The established Hardieflex board range has been extended to include Hardieflex Wet Area lining boards. In November 2012, Hardieflex Pro was launched which is primarily for wet area application.

Seasonality

Our earnings are seasonal and typically follow activity levels in the building and construction industry. In the United States, the calendar quarters ending in December and March generally reflect reduced levels of building activity depending on weather conditions. In Australia and New Zealand, the calendar quarter ending in March is usually affected by a slowdown due to summer holidays. In the Philippines, construction activity diminishes during the wet season from June through September and during the last half of December due to the slowdown in business activity over the holiday period. Also, general industry patterns can be affected by weather, economic conditions, industrial disputes and other factors. See Section 3, Risk Factors.

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Raw Materials

The principal raw materials used in the manufacture of fibre cement are cellulose fibre (wood-based pulp), silica (sand), portland cement and water.

Cellulose Fibre. Reliable access to specialised, consistent quality, low cost pulp is critical to the production of fibre cement building materials. Cellulose fibre is sourced from New Zealand, the United States, Canada, and Chile and is processed to our specifications. It is further processed using our proprietary technology to provide the reinforcing material in the cement matrix of fibre cement. We have developed a high level of internal expertise in the production and use of wood-based pulps. This expertise is shared with our pulp producers, which have access to appropriate raw wood stocks, in order to formulate superior reinforcing pulps. The resulting pulp formulas are typically proprietary and are the subject of confidentiality agreements between the pulp producers and us. Moreover, we have obtained patents in the United States and in certain other countries covering certain unique aspects of our pulping formulas and processes that we believe cannot adequately be protected through confidentiality agreements. However, we cannot assure you that our intellectual property and other proprietary information will be protected in all cases. See Section 3, Risk Factors. We have entered into contracts that provide discounted pulp prices relative to various pulp indices and we purchase our pulp from several qualified suppliers in an attempt to mitigate price increases and supply interruptions.

Pulp has historically demonstrated more price sensitivity than other raw materials that we use in our manufacturing process. In fiscal year 2013, the average Northern Bleached Softwood Kraft (NBSK) pulp price relative to our US business was US$878 per ton, an 8% decrease compared to fiscal year 2012.

Silica. High purity silica is sourced locally by the various production plants. In the majority of locations, we use silica sand as a silica source. In certain other locations, however, we process quartz rock and beneficiate silica sand to ensure the quality and consistency of this key raw material.

Cement. Cement is acquired in bulk from local suppliers and is supplied on a just-in-time basis to our manufacturing facilities. The silos at each fibre cement plant hold between one and three days of our cement requirements. We continue to evaluate options on agreements with suppliers for the purchase of cement that can fix our cement prices over longer periods of time.

Water. We use local water supplies and seek to process all wastewater to comply with environmental requirements.

Sales, Marketing and Distribution

The principal markets for our fibre cement products are the United States, Australia, New Zealand, the Philippines, Canada, and in parts of Europe, including the United Kingdom and France. In addition, we sell fibre cement products in many other countries, including Belgium, China, Denmark, France, French Caribbean, Germany, Hong Kong, Hungary, India, Indonesia, Ireland, Italy, Malta, Mexico, the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates), The Netherlands, Norway, various Pacific Islands, South Africa, South Korea, Spain, Sri Lanka, Switzerland, Taiwan, Turkey and Vietnam. Our brand name, customer education in comparative product advantages, differentiated product range and customer service, including technical advice and assistance, provide the basis for our marketing strategy. We offer our customers support through a specialised fibre cement sales force and customer service infrastructure in the United States, Australia, New Zealand, the Philippines and Europe (which is based out of The Netherlands). The customer service infrastructure includes inbound customer service support coordinated nationally in each country (customer service support for Canada is based out of the United States and customer service support for Europe is based out of The Netherlands),

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and is complemented by outbound telemarketing capability. Within each regional market, we provide sales and marketing support to building products dealers and lumber yards and also provide support directly to the customers of these distribution channels, principally homebuilders and building contractors.

In the United States, we sell fibre cement products for new residential construction predominantly to distributors, which then sell these products to dealers or lumber yards. This two-step distribution process is supplemented with direct sales to dealers and lumber yards as a means of accelerating product penetration and sales. Repair and remodel products in the United States are typically sold through the large home center retailers and specialist distributors. Our top five US customers accounted for approximately 54% of our total USA and Europe Fibre Cement gross sales in fiscal year 2013. In Australia and New Zealand, both new construction and repair and remodel products are generally sold directly to distributor/hardware stores and lumber yards rather than through the two-step distribution process. In the Philippines, a network of thousands of small to medium size dealer outlets sells our fibre cement products to consumers, builders and real estate developers, although in recent years, do-it-yourself type stores have started to enter the Philippines market. Physical distribution of product in each country is primarily by road or sea transport, except in the United States where transportation is primarily by road and, to a lesser extent, by rail. Fibre cement products manufactured in Australia, New Zealand and the Philippines are exported to a number of markets in Asia, the Pacific, and the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates) by sea transport.

We maintain dedicated regional sales management teams in our major sales territories. As of 31 May 2013, the sales teams (including telemarketing staff) consisted of approximately 298 people in the United States and Canada, 77 people in Australia, 22 people in New Zealand, 39 people in the Philippines, and 27 people in Europe. We also employ one person based in Hong Kong who functions as a regional export salesperson, and who covers markets such as South Korea, Hong Kong, Macau, China and the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates). Our national sales managers and national account managers, together with the regional sales managers and sales representatives, maintain relationships with national and other major accounts. Our sales force includes skilled trades people who provide on-site technical advice and assistance. In some cases, sales forces manage specific product categories.

Despite the fact that distributors and dealers are generally our direct customers, we also aim to increase primary demand for our products by marketing our products directly to homeowners, architects and builders. We encourage them to specify and install James Hardie® products because of the quality and craftsmanship of our products. This pull through strategy, in turn, assists us in expanding sales for our distribution network as distributors benefit from the increasing demand for our products.

Geographic expansion of our fibre cement business has occurred in markets where framed construction is prevalent for residential applications or where there are opportunities to change building practices from masonry to framed construction. Expansion is also possible where there are direct substitution opportunities irrespective of the methods of construction. Our entry into the Philippines is an example of the ability to substitute fibre cement for an alternative product (in this case plywood). With the exception of our current major markets, as well as Japan and certain rural areas in Asia, Scandinavia, and Eastern Europe, most markets in the world principally utilise masonry construction for external walls in residential construction. Accordingly, further geographic expansion depends substantially on our ability to provide alternative construction solutions and for those solutions to be accepted in those markets.

Because fibre cement products were relatively new to the Philippines, the launch of our fibre cement products in the Philippines in fiscal year 1999 was accompanied by strategies to address the particular

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needs of local customers and the building trade. For example, we established a carpenter training and accreditation program whereby Filipino carpenters who are unfamiliar with our products are taught installation techniques. Our training programs for counterclerks and carpenters are geared not only to educate them but also to develop them as brand advocates. We have also put greater emphasis on building our relationships with new home developers and builders in order to educate the market on the benefits of our products in this particular sector.

Dependence on Trade Secrets and Research and Development

We pioneered the successful development of cellulose reinforced fibre cement and, since the 1980s, have progressively introduced products developed as a result of our proprietary product formulation and process technology. The introduction of differentiated products is one of the core components of our global business strategy. This product differentiation strategy is supported by our significant investment in research and development activities.

The following table sets forth our research and development expenditures for the three preceding fiscal years:

	Fiscal Years Ended 31 March		
(Millions of US dollars)	**2013**	**2012**	**2011**
Research and Development Expenditures[1]	$ 39.6	$ 32.4	$ 31.2
Research and Development Expenditures as a percentage of total net sales	3.0%	2.6%	2.7%

1 Included within research and development expenditures for fiscal years 2013, 2012 and 2011 is US$2.4 million, US$2.0 million and US$3.2 million, respectively, classified as selling, general and administrative expenses.

Our current patent portfolio is based mainly on fibre cement compositions, associated manufacturing processes and the resulting products. Our non-patented technical intellectual property consists primarily of our operating and manufacturing know-how, which is maintained as trade secret information. We have enhanced our abilities to effectively create, manage and utilise our intellectual property and have implemented a strategy that increasingly uses patenting, licensing, trade secret protection and joint development to protect and increase our competitive advantage. However, we cannot assure you that our intellectual property and other proprietary information will be protected in all cases. In addition, if our research and development efforts fail to generate new, innovative products or processes, our overall profit margins may decrease and demand for our products may fall.

In addition, the Company owns a variety of patents and licenses; industrial, commercial and financial contracts; and manufacturing processes. While the Company is dependent on the competitive advantage that these items provide as a whole, the Company is not dependent on any one of them individually and does not consider any one of them individually to be material. We do not materially rely on intellectual property licensed from any outside third parties. See Section 3, Risk Factors.

Governmental Regulation

As noted above, on 15 October 2012, we converted into an Irish plc from an Irish SE and are now governed by the Irish Companies Acts. Previously, as an Irish SE company, we were governed by the Irish Companies Acts and the SE Regulation, European Union Council Regulations and relevant European Union Directives. We also continue to operate under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the NYSE, the SEC, the Irish

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Takeovers Panel and various other rulemaking bodies. See Section 3, Memorandum and Articles of Association for information regarding Irish Companies Acts and regulations to which we are subject.

Environmental Regulation

Our operations and properties are subject to extensive federal, state and local and foreign environmental protection and health and safety laws, regulations and ordinances. These environmental laws, among other matters, govern activities and operations that may have adverse environmental effects, such as discharges to air, soil and water, and establish standards for the handling of hazardous and toxic substances and the handling and disposal of solid and hazardous wastes. In the United States, these environmental laws include, but are not limited to the:

- Resource Conservation and Recovery Act;
- Comprehensive Environmental Response, Compensation and Liability Act;
- Clean Air Act;
- Occupational Safety and Health Act;
- Mine Safety and Health Act;
- Emergency Planning and Community Right to Know Act;
- Clean Water Act;
- Safe Drinking Water Act;
- Surface Mining Control and Reclamation Act;
- Toxic Substances Control Act;
- National Environmental Policy Act; and
- Endangered Species Act,

as well as analogous state, regional and local regulations. Other countries also have statutory schemes relating to the protection of the environment.

Some environmental laws provide that a current or previous owner or operator of real property may be liable for the costs of removal or remediation of environmental contamination on, under, or in that property or other impacted properties. In addition, persons who arrange, or are deemed to have arranged, for the disposal or treatment of hazardous substances may also be liable for the costs of removal or remediation of environmental contamination at the disposal or treatment site, regardless of whether the affected site is owned or operated by such person. Environmental laws often impose liability whether or not the owner, operator or arranger knew of, or was responsible for, the presence of such environmental contamination. Also, third parties may make claims against owners or operators of properties for personal injuries, property damage and/or for clean-up associated with releases of hazardous or toxic substances pursuant to applicable environmental laws and common law tort theories, including strict liability.

Environmental compliance costs in the future will depend, in part, on continued oversight of operations, expansion of operations and manufacturing activities, regulatory developments and future requirements that cannot presently be predicted.

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Organisational Structure

JHI plc is incorporated and domiciled in Ireland.

The table below sets forth our significant subsidiaries, all of which are wholly-owned by JHI plc, either directly or indirectly, as of 31 May 2013.

Name of Company	Jurisdiction of Establishment
James Hardie 117 Pty Ltd.	Australia
James Hardie Aust Holdings Pty Ltd.	Australia
James Hardie Austgroup Pty Ltd.	Australia
James Hardie Australia Management Pty Ltd.	Australia
James Hardie Australia Pty Ltd.	Australia
James Hardie Building Products Inc.	United States
James Hardie Europe B.V.	Netherlands
James Hardie Finance Holdings 3 Limited	Bermuda
James Hardie Holdings Limited	Ireland
James Hardie International Finance Limited	Ireland
James Hardie International Group Limited	Ireland
James Hardie International Holdings Limited	Ireland
James Hardie New Zealand	New Zealand
James Hardie NZ Holdings	New Zealand
James Hardie Philippines Inc.	Philippines
James Hardie Technology Limited.	Bermuda
James Hardie U.S. Investments Sierra LLC	United States
N.V. Technology Holdings, A Limited Partnership	Australia
RCI Holdings Pty Ltd.	Australia

Property, Plants and Equipment

We estimate that our manufacturing plants are among the largest and lowest cost fibre cement manufacturing plants in the United States. We believe that the location of our plants positions us near attractive markets in the United States while minimising our transportation costs for product distribution and raw material sourcing.

Our manufacturing plants use significant amounts of water which, after internal recycling and reuse, are eventually discharged to publicly owned treatment works (with the exception of our Reno, Nevada facility and Summerville, South Carolina facility at which production was suspended in November 2008, which maintain closed loop systems). The discharge of process water is monitored by us, as well as by regulators. In addition, we are subject to regulations that govern the air quality and emissions from our plants. In the past, from time to time, we have received notices of discharges in excess of our water and air permit limits. In each case, we have addressed the concerns raised in those notices, including the payment of any associated minor fines and capital expenditures associated with preventing future discharges in excess of permitted levels.

Plants and Process

Fibre Cement Building Products

We manufacture fibre cement building products in the United States and Asia Pacific. Annual design capacity is based on management s historical experience with our production process and is calculated assuming continuous operation, 24 hours per day, seven days per week, producing 5/16 medium

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density product at a targeted operating speed. Annual design capacity is not necessarily reflective of our actual capacity utilisation rates for our fibre cement plants by region. Annual capacity utilisation is affected by factors such as demand, product mix, batch size, plant availability and production speeds and is usually less than annual design capacity. We manufacture products of varying thicknesses and density.

We currently have an annual flat sheet design capacity of 3,390 mmsf and 520 mmsf in the United States and Asia Pacific, respectively, for our fibre cement building products. Fiscal year 2013 capacity utilisation, based on this annual flat sheet design capacity, for our fibre cement building products plants was an average of 42% and 68% in the United States and Asia Pacific, respectively. As indicated above, annual flat sheet design capacity is based on management s estimates. No accepted industry standard exists for the calculation of our fibre cement manufacturing facility design and utilisation capacities.

We are expanding production capacity in anticipation of the continued improvement of the operating environment and we expect to incur significant capital expenditures in fiscal year 2014 and beyond to meet anticipated demand increases in major markets. Once the Fontana, California and Carole Park, Queensland capacity expansions are complete, our annual flat sheet design capacity will increase by 2% to 3,460 mmsf and 9% to 570 mmsf in the United States and Asia Pacific, respectively. See Capital Expenditures below.

Fibre Reinforced Concrete Pipes

We manufacture fibre reinforced concrete pipes in Australia. Our current annual design capacity for our fibre reinforced concrete pipes plant is 50 thousand tons.

Plant Locations

The location of each of our fibre cement plants is set forth below:

Fibre Cement Building Products
United States Plants Operating
Cleburne, Texas
Peru, Illinois
Plant City, Florida
Pulaski, Virginia
Reno, Nevada
Tacoma, Washington
Waxahachie, Texas
United States Plants Suspended
Blandon, Pennsylvania[1]
Fontana, California[2]
Summerville, South Carolina[2]
Asia Pacific
Australia
Sydney, New South Wales (Rosehill)
Brisbane, Queensland (Carole Park)[3]
New Zealand
Auckland
The Philippines
Manila
Fibre Reinforced Concrete Pipes
Australia
Brisbane, Queensland (Meeandah)[3]

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1 We suspended production at our Blandon, Pennsylvania plant in November 2007 and in the fourth quarter of fiscal year 2013 we announced that we will not re-open the plant.

2 We suspended production at our Fontana, California and Summerville, South Carolina plants in December 2008 and November 2008, respectively. In fiscal year 2013, we announced that we were spending US$34 million to refurbish and reconfigure the Fontana plant, which is scheduled to reopen early calendar year 2014.

3 There are two manufacturing plants in Brisbane. Carole Park produces only flat sheets and Meeandah produces only pipes and columns. As announced in May 2013, we have purchased the land and buildings at the Carole Park facility and are expanding production capacity at this plant.

While the same basic process is used to manufacture fibre cement building products at each facility, plants are designed to produce the appropriate mix of products to meet each geographic market s specific, projected needs. The facilities were constructed and are operated so production can be efficiently adjusted in response to increased consumer demand by increasing production capacity utilisation, enhancing the economies of scale or adding additional lines to existing facilities, or making corresponding reductions in production capacity in response to weaker demand.

Except for the Waxahachie, Texas facility, we own all of our fibre cement manufacturing facilities located in the United States. The lease for the Waxahachie, Texas facility expires on 31 March 2020, at which time we have an option to purchase the facility.

Two of our three Australian fibre cement manufacturing facilities (Rosehill, Sydney and Meeandah, Brisbane) are leased by us. The Rosehill lease expires on 23 March 2016, with an option to renew the lease for two further terms of 10 years expiring in March 2036. The Meeandah lease expires on 23 March 2019, and contains options to renew for two further terms of 10 years expiring in March 2039. As previously announced, in May 2013 we entered into an agreement to purchase the remaining Australian fibre cement manufacturing facility (Carole Park, Brisbane) as part of our Australian manufacturing capacity expansion. Our one New Zealand fibre cement manufacturing facility is leased by us. The lease for our New Zealand facility expires on 22 March 2016, at which time we have an option to renew the lease for two further terms of 10 years expiring in March 2036. There is no purchase option available under our leases related to our Australian and New Zealand facilities.

The land on which our Philippines fibre cement plant is located is owned by Ajempa Holding inc (Ajempa), a related party. Ajempa is 40% owned by James Hardie Philippines operating entity and 60% owned by the James Hardie Philippines Retirement fund. The James Hardie operating entity owns 100% of the fixed assets on the land owned by Ajempa.

Mines

We lease silica quartz mine sites in Tacoma, Washington, Reno, Nevada and Victorville, California. The lease for our quartz mine in Tacoma, Washington expires in February 2014 (with options to renew). The lease for our silica quartz mine site in Reno, Nevada expires in January 2014 (with options to renew or purchase). The lease for our silica mine site in Victorville, California expires in June, 2015. Further, we own rights to an additional property in Victorville, California, however, as of 31 May 2013, we have not begun to mine this site.

As a mine operator, we are required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), and rules promulgated by the Securities and Exchange Commission implementing that section of the Dodd-Frank Act, to provide certain information concerning mine safety violations and other regulatory matters concerning the operation of our mines. During fiscal year 2013, we did not receive any notices, citations, orders, legal action or other communication from the US Department of Labor s Mine Safety and Health Administration that would necessitate additional disclosure under Section 1503(a) of the Dodd-Frank Act.

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Capital Expenditures

The following table sets forth our capital expenditures for each year in the three-year period ended 31 March 2013.

	Fiscal Years Ended 31 March		
	2013	2012	2011
	(Millions of US dollars)		
USA and Europe Fibre Cement	$ 43.2	$ 26.7	$ 39.5
Asia Pacific Fibre Cement	10.7	6.7	9.9
Research and Development and Corporate	7.2	2.4	0.9
Total Capital Expenditures	$ 61.1	$ 35.8	$ 50.3

The Company did not have any material divestitures in the fiscal years ended 31 March 2013, 2012 and 2011.

The significant capital expenditure projects over the past three fiscal years in our USA and Europe Fibre Cement segment include**:**

- enhancement of trim capability at our Peru, Illinois plant for US$3.6 million in fiscal year 2011;
- commencement of a new finishing capability on an existing product line in fiscal year 2009. As of 31 March 2013, we have incurred US$23.9 million related to this project;
- commencement of expenditures to enhance environmental compliance at our plants in fiscal year 2011. As of 31 March 2013, we have incurred US$13.3 million related to this project;
- an upgrade of our supply chain management IT systems for US$4.3 million through fiscal year 2013;
- a new finishing line at our Cleburne plant for US$6.1 million which was primarily incurred in fiscal year 2011;
- commencement of reconfiguration and re-commissioning of our Fontana, California plant in fiscal year 2013. As of 31 March 2013, we have incurred US$4.1 million related to this project;
- re-commissioning and upgrade of our Waxahachie, Texas plant for US$5.0 million in fiscal year 2013;
- expansion of a warehouse facility at our Pulaski, Virginia plant. As of March 2013, we have incurred US$3.3 million related to this project;
- installation of new packaging technology at our Pulaski, Virginia plant. As of 31 March 2013, we have incurred US$2.8 million related to this project;

recommissioning and upgrade of a proprietary raw material manufacturing plant in Fontana, California for US$1.8 million in fiscal year 2013; and

construction of a new warehouse facility at our Cleburne, Texas plant. As of 31 March 2013, we have incurred US$2.8 million related to this project.

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In our Asia Pacific Fibre Cement segment, significant capital expenditures in the last three years include the installation of a new ball mill at our Carole Park plant in Australia in fiscal year 2013. As of 31 March 2013, we have incurred US$2.5 million related to this project.

In our Research and Development segment, we purchased and fitted out a building for our new research and development facility in Naperville, Illinois for US$4.8 million in fiscal year 2013.

We currently expect to spend approximately US$150.0 million in fiscal year 2014 for capital expenditures, including facility upgrades and expansions, equipment to enhance environmental compliance, and the implementation of new fibre cement technologies. Part of the expected amount of spending in fiscal year 2014 includes additional capital expenditures on projects that were in progress during fiscal year 2013, including US$29.9 million related to the reconfiguring and re-commissioning of our Fontana, California plant, which is expected to reopen in calendar year 2014; and the recommissioning of idled production assets at a number of our other US plants.

In May 2013, we purchased the land and buildings at our existing Carole Park, Brisbane manufacturing facility. In addition, we plan to construct new manufacturing capacity on the site. We expect to incur A$89.0 million over a two-year period, with construction of the new manufacturing capacity commencing at the end of the first quarter of calendar year 2014. Production facilities are projected to be fully operational in the first half of calendar year 2015. We expect that this capital expenditure will allow us to service expected increases in demand for products and also enable incremental capacity expansions in the Asia Pacific Fibre Cement segment at low capital costs in the medium term, if required to meet future market demand. Production of building materials at our Rosehill plant in Sydney and of pipes at our Meeandah, Brisbane site will continue.

We expect to fund our capital expenditures through a combination of existing cash balances, unutilised committed credit facilities and anticipated future net operating cash flow.

Competitive pressures and market developments could require further increases in capital expenditures. Our financing for these capital expenditures is expected to come from cash from our future operations and from external debt to the extent that cash from operations does not cover our capital expenditures.

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GROUP MANAGEMENT TEAM

Our management is overseen by a Group Management Team (GMT), whose members cover the key areas of fibre cement research and development, production, manufacturing, sales, human resources, investor relations, finance and legal.

Members of the GMT as at 31 May 2013 (in alphabetical order) are:

Joe Blasko BSc, JD

General Counsel

Age 46

Joe Blasko joined James Hardie as General Counsel in June 2011. Mr Blasko reports to the Company s Chief Executive Officer (CEO).

Before joining James Hardie, Mr Blasko was Assistant General Counsel, and later, the General Counsel at Liebert Corporation, an Emerson Network Power Systems company and wholly-owned subsidiary of Emerson Electric Co. In his four years with Liebert/Emerson, Mr Blasko was responsible for establishing the legal department in Columbus, Ohio, managing and overseeing all legal matters and working closely with the executive management team. In this role, Mr Blasko also had global responsibilities which required expertise across multiple jurisdictions. From 2004 to 2006, Mr Blasko was Associate General Counsel at The Scotts Miracle-Gro Company, serving as the effective general counsel to numerous corporate divisions within the organisation. From 1997 to 2004 Mr Blasko gained considerable regulatory and litigation expertise working at Vorys, Slater, Seymour and Pease LLP in Ohio.

Mr Blasko has a Juris Doctor from Case Western Reserve University in Cleveland, Ohio and a Bachelor of Science in Foreign Service from Georgetown University, with a specialty in Foreign Service, International Relations, Law and Organisations.

Russell Chenu BCom, MBA

Chief Financial Officer

Age 63

Russell Chenu joined James Hardie as Interim Chief Financial Officer (CFO) in October 2004 and was appointed CFO in February 2005.

Mr Chenu is an experienced corporate and finance executive who has held senior finance and management positions with a number of Australian publicly-listed companies. In a number of these senior roles, he has been engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from Macquarie Graduate School of Management, Australia.

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Mark Fisher BSc, MBA

Executive General Manager International

Age 42

Mark Fisher joined James Hardie in 1993 as a Production Engineer. Since then, he has worked for the Company as Finishing Manager, Production Manager and Product Manager at various locations; Sales and Marketing Manager; and as General Manager of our Europe Fibre Cement business. Mr Fisher was appointed Vice President Specialty Products in November 2004, then Vice President Research & Development in December 2005. In February 2008, his role was expanded to cover Engineering & Process Development.

In January 2010, he was appointed Executive General Manager International, responsible for research and development, engineering and the Company s non-US businesses.

Mr Fisher has a Bachelor of Science in Mechanical Engineering and an MBA from University of Southern California.

Louis Gries BSc, MBA

Chief Executive Officer

Age 59

Louis Gries joined James Hardie as Manager of the Fontana fibre cement plant in California in February 1991 and was appointed President of James Hardie Building Products, Inc in December 1993. Mr Gries became Executive Vice President Operations in January 2003, responsible for operations, sales and marketing in our businesses in the Americas, Asia Pacific and Europe.

He was appointed Interim CEO in October 2004 and became CEO in February 2005.

In April 2012, the Company announced that effective 30 June 2012, Mr Gries would again assume responsibility for managing the US business. Before he joined James Hardie, Mr Gries worked for 13 years for USG Corp, including a variety of roles in research, plant quality and production, and product and plant management.

Mr Gries has a Bachelor of Science in Mathematics from the University of Illinois and an MBA from California State University, Long Beach, California.

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Sean O Sullivan BA, MBA

Vice President Investor & Media Relations

Age 48

Sean O Sullivan joined James Hardie as Vice President Investor & Media Relations in December 2008. For the eight years prior to joining James Hardie, Mr O Sullivan was Head of Investor Relations at St. George Bank, where he established and led the investor relations function.

Mr O Sullivan s background includes thirteen years as a fund manager for GIO Asset Management, responsible for domestic and global investments. During this period, he spent time on secondment with a McKinsey and Co. taskforce that completed a major study into the Australian financial services industry. Mr O Sullivan s final position at GIO was General Manager of Diversified Investments where his responsibilities included determining the asset allocation for over A$10 billion in funds under management. After leaving GIO, Mr O Sullivan worked for Westpac Banking Corporation in funds management sales.

Mr O Sullivan has a Bachelor of Arts in Economics from Sydney University and an MBA from Macquarie Graduate School of Management.

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BOARD OF DIRECTORS

James Hardie s directors have widespread experience, spanning general management, finance, law and accounting. Each director also brings valuable international experience that assists with James Hardie s growth.

Michael Hammes BS, MBA

Age 71

Michael Hammes was elected as an independent Non-Executive Director of James Hardie in February 2007. He was appointed Chairman of the Board in January 2008 and is a member of the Audit Committee, the Remuneration Committee and the Nominating and Governance Committee.

Experience: Mr Hammes has extensive commercial experience at a senior executive level. He has held a number of executive positions in the medical products, hardware and home improvement, and automobile sectors, including CEO and Chairman of Sunrise Medical, Inc (2000-2007), Chairman and CEO of Guide Corporation (1998-2000), Chairman and CEO of Coleman Company, Inc (1993-1997), Vice Chairman of Black & Decker Corporation (1992-1993) and various senior executive roles with Chrysler Corporation (1986-1990) and Ford Motor Company (1979-1986).

Directorships of listed companies in the past five years: Current Director of Navistar International Corporation (since 1996) and Director of DynaVox Mayer-Johnson (listed in April 2010).

Other: Resident of the United States.

Last elected: August 2011

Term expires: August 2014

Donald McGauchie AO

Age 63

Donald McGauchie joined James Hardie as an independent Non-Executive Director in August 2003 and was appointed Acting Deputy Chairman in February 2007 and Deputy Chairman in April 2007. He is Chairman of the Nominating and Governance Committee and a member of the Remuneration Committee.

Experience: Mr McGauchie has wide commercial experience within the food processing, commodity trading, finance and telecommunication sectors. He also has extensive public policy experience, having previously held several high-level advisory positions to the Australian Government.

Directorships of listed companies in the past five years: Current Chairman (since 2010) and Director (since 2010) of Australian Agricultural Company Limited; Chairman (since 2010) and Director (since 2003) of Nufarm Limited; Director of GrainCorp Limited (since 2009). Former - Chairman of Telstra Corporation Limited (2004-2009).

Other: Chairman Australian Wool Testing Authority (since 2005) and Director since 1999; Former Director of The Reserve Bank of Australia (2001-2011); resident of Australia.

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Last elected: August 2010

Term expires: August 2013

Brian Anderson BS, MBA, CPA

Age 62

Brian Anderson was appointed as an independent Non-Executive Director of James Hardie in December 2006. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Experience: Mr Anderson has extensive financial and business experience at both executive and board levels. He has held a variety of senior positions, with thirteen years at Baxter International, Inc, including Corporate Vice President of Finance, Senior Vice President and Chief Financial Officer (1997-2004) and, more recently, Executive Vice President and Chief Financial Officer of OfficeMax, Inc (2004-2005). Earlier in his career, Mr Anderson was an Audit Partner of Deloitte & Touche LLP (1986-1991).
Directorships of listed companies in the past five years: Current Chairman (since 2010) and Director (since 2005) of A.M. Castle & Co.; Director of Pulte Homes Corporation (since 2005); Director (since 1999) and Lead Director (since April 2011) of W.W. Grainger, Inc.

Other: Resident of the United States.

Last elected: August 2012

Term expires: August 2015

David Dilger CBE, BA, FCA

Age 56

David Dilger was appointed as an independent Non-Executive Director of James Hardie in September 2009. He is a member of the Audit Committee and Remuneration Committee.

Experience: Mr Dilger has substantial experience in multinational manufacturing operations and a strong finance background. He has held a number of senior executive positions, including CEO of Greencore Group plc (1995-2008), CEO of Food Industries plc (1988-1991) and Chief Financial Officer of Woodchester Investments (1984-1988). He serves on the Boards of a number of private companies (Sonoma Valley Limited and Java Republic Limited as well as the Irish Advisory Board of Ecclesiastical Insurance plc).
Directorships of listed companies in the past five years: Former Non-executive director of The Bank of Ireland plc (2003-2009) serving as Senior Independent Director (2007-2009).

Other: Former Chairman of Dublin Airport Authority plc (2009-2011); resident of Ireland.

Last elected: August 2010

Term expires: August 2013

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David Harrison BA, MBA, CMA

Age 66

David Harrison was appointed as an independent Non-Executive Director of James Hardie in May 2008. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

Experience: Mr Harrison is an experienced Company director with a finance background, having served in corporate finance roles, international operations and information technology during 22 years with Borg Warner/General Electric Co. His previous experience includes ten years at Pentair, Inc., as Executive Vice President and Chief Financial Officer (1994-1996 and 2000-2007) and Vice President and Chief Financial Officer roles at Scotts, Inc. and Coltec Industries, Inc. (1996-2000).
Directorships of listed companies in the past five years: Current Director National Oilwell Varco (since 2003); Former Director Navistar International Corporation (2007-2012).

Other: Resident of the United States.

Last elected: August 2010

Term expires: August 2013

Alison Littley BA, FCIPS

Age 51

Alison Littley was appointed as an independent Non-Executive Director of James Hardie in February 2012. She is a member of the Audit Committee.

Experience: Ms Littley has substantial experience in multinational manufacturing and supply chain operations, and she brings a strong international leadership background building effective management teams and third party relationships. She has held a variety of positions, most recently as Chief Executive of Buying Solutions, a UK Government Agency responsible for procurement of goods and services on behalf of UK government and public sector bodies (2006-2011). She has previously held senior management roles in Diageo plc (1999-2006) and Mars, Inc (1981-1999).
Directorships of listed companies in the past five years: None.

Other: Resident of the United Kingdom.

Last elected: August 2012

Term expires: August 2015

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James Osborne BA Hons, LLB

Age 64

James Osborne was appointed as an independent Non-Executive Director of James Hardie in March 2009. He is a member of the Nominating and Governance Committee.

Experience: Mr Osborne is an experienced company director with a strong legal background and a considerable knowledge of international business operations in North America and Europe. His career includes 35 years with the leading Irish law firm, A&L Goodbody, in roles which included opening the firm s New York office in 1979 and serving as the firm s managing partner (1982-1994). He has served as a consultant to the firm since 1994. Mr Osborne also contributed to the listing of Ryanair in London, New York and Dublin and continues to serve on Ryanair s board.
Directorships of listed companies in the past five years: Current Director, Ryanair Holdings plc (since 1996); Former Chairman, Independent News & Media (2011-2012), Chairman, Newcourt Group plc (2004-2009).

Other: Chairman, Eason & Son Ltd (since August 2010), Chairman, Centric Health (since 2006); Chairman, Monaghan Mushrooms (since 2012); resident of Ireland.

Last elected: August 2012

Term expires: August 2015

Rudolf van der Meer M.Ch.Eng

Age 68

Rudy van der Meer was elected as an independent Non-Executive Director of James Hardie in February 2007. He is a member of the Nominating and Governance Committee.

Experience: Mr van der Meer is an experienced former executive, with considerable knowledge of international business and the building and construction sector. During his 32-year association with Akzo Nobel N.V., he held a number of senior positions including CEO Coatings (2000-2005), CEO Chemicals (1993-2000), and member of the five person Executive Board (1993-2005).
Directorships of listed companies in the past five years: Current Chairman of the Supervisory Board of Imtech N.V. (since 2005); Director LyondellBasell Industries NV (since August 2010); Former Member of the Supervisory Board of Hagemeyer N.V. (2006-2008).

Other: Former Chairman of the Board of Energie Beheer Nederland B.V. (2006 2013); Chairman of the Supervisory Board of VGZ Health Insurance (since May 2011); resident of The Netherlands.

Last elected: August 2011

Term expires: August 2014

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Our CEO, Louis Gries, is an Executive Director on the Company s Board. Mr Gries biographical details appear in the Group Management Team Section.

None of the persons above has any familial relationship with each other or with the GMT. In addition, none of the individuals listed above is party to any arrangement or understanding with a major shareholder, customer, supplier or other entity, pursuant to which any of the above was selected as a director.

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REMUNERATION REPORT

This Remuneration Report explains James Hardie s executive remuneration framework, and has been adopted by the Board on the recommendation of the Remuneration Committee.

The Company is not required to produce a remuneration report or to submit it to shareholders under Irish or Australian rules or regulations. However, taking into consideration its large Australian shareholder base, James Hardie has voluntarily produced a remuneration report for non-binding shareholder approval for some years and currently intends to continue to do so. This document reports on the Company s remuneration policies and practices in fiscal year 2013 and also voluntarily includes an outline of the key changes for fiscal year 2014. Further details of these changes are set out in the 2013 Notice of Annual General Meeting (AGM).

During fiscal year 2013 the Remuneration Committee retained Aon Hewitt (in the US) and Guerdon Associates (in Australia) as its independent advisers.

1. APPROACH TO SENIOR EXECUTIVE REMUNERATION

1.1 Remuneration Philosophy

James Hardie s remuneration philosophy is to provide competitive remuneration, compared to US peer group companies exposed to the US housing market. Within this philosophy, the executive remuneration framework emphasises operational excellence and shareholder value creation through incentives which link executive remuneration with the interests of shareholders. The underlying policy of the executive remuneration framework is pay-for-performance. Remuneration received is aligned with performance achieved.

1.2 Composition of Remuneration Packages

Remuneration packages for senior executives reflect this remuneration philosophy and comprise:

- fixed pay and benefits (Fixed Remuneration); and
- variable performance pay (Variable Remuneration).

Variable Remuneration is based on both:

- short-term incentives (STI); and
- long-term incentives (LTI).

The Company s policy is to position senior executive Fixed Remuneration at the market median and total target direct remuneration (comprising Fixed Remuneration and target Variable Remuneration) at the market 75th percentile if stretch short and long-term target performance goals are met.

Performance goals for target Variable Remuneration are set with the expectation that the Company will deliver results in the top quartile of its listed, US peer group companies. Performance below this level will result in Variable Remuneration payments below target (and potentially zero for poor performance). Performance above this level will result in Variable Remuneration payments above target.

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1.3 Setting Remuneration Packages

Remuneration decisions are based on the executive remuneration framework described in this Remuneration Report. The Remuneration Committee reviews and the Board approves this framework each year.

Each year the Remuneration Committee reviews and approves a list of peer group companies which it uses for comparative purposes in setting remuneration for senior executives. As the Company s main business and all of its senior executives are in the US, the peer group comprises US listed companies exposed to the US housing market. This same peer group is also used to determine relative performance for the year s LTI equity grants.

Remuneration packages for senior executives are evaluated each year to make sure that they continue to achieve the Company s philosophy and are competitive with their US peer group and developments in the market. In making individual decisions, the Remuneration Committee takes into account:

- the senior executive s responsibilities and performance; and
- the results of an annual remuneration positioning review provided by the Remuneration Committee s independent advisor.

All aspects of the remuneration of the CEO and CFO are made by the Remuneration Committee and ratified by the Board. All aspects of the remuneration of the remaining senior executives are made by the Remuneration Committee on the recommendation of the CEO.

1.4 Senior Executives in fiscal year 2013

The Company s senior executives in fiscal year 2013 were:

- Louis Gries, Chief Executive Officer
- Joe Blasko, General Counsel
- Russell Chenu, Chief Financial Officer
- Mark Fisher, Executive General Manager International

Nigel Rigby, Executive General Manager US, was a senior executive until his separation from the Company on 30 June 2012.

The executive remuneration framework described in this report also applies to the US Management Team, whose members work with the senior executives to manage the US business.

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2. FISCAL YEAR 2013 COMPANY PERFORMANCE AND LINK WITH REMUNERATION POLICY

2.1 Actual Performance

The Company s five-year EBIT and net income, and five-year A$ total shareholder return (including dividends and capital returns) mapped against changes in US housing starts are shown in the graphs below:

EBIT[1]
(Millions of US dollars)

Net Income[2]
(Millions of US dollars)

[1] Excludes asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses.

[2] Excludes asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments

Readers are referred to Section 4, Glossary of Abbreviations and Definitions which includes the reconciliation of adjusted EBIT and adjusted Net Operating Profit to the respective US GAAP equivalent measurements.

2.2 Market Conditions and Company Performance

The Company s executive remuneration framework provides a link between Company and individual performance and the Variable Remuneration received by senior executives.

Operating conditions in the US residential housing market improved during fiscal year 2013. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company s performance, were 565,900 for fiscal year 2013, 27% above the prior year. Further, according to the National Association of Home Builders (NAHB), repair and remodel activity also increased slightly during fiscal year 2013.

Overall group operating earnings for fiscal year 2013 were stable compared to the prior year, reflecting stronger performance by our USA and Europe Fibre Cement segment, largely due to improved

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conditions in the US housing market, partially offset by lower contributed earnings in our Asia Pacific business. The Company expects that the improvement in the US operating environment reflects a sustainable recovery in the US housing market, although the recovery is expected to occur over a protracted period. In anticipation of the ongoing recovery, during the year the Company funded capacity expansions and initiatives to support market and organisational development in the US.

Sales volume in the US business increased 12% over the prior year. However, increased spending on these capacity increases as well as the market and organisational initiatives, along with the weaker Asia Pacific business result, constrained the impact of the strong USA and Europe Fibre Cement segment top line performance on the overall profitability of the Company.

2.3 Performance Linkage with Remuneration Policy

The Company sets performance goals and Variable Remuneration in the expectation that the Company will perform at or above a level equivalent to the 75^{th} percentile of the Company s peer group. This approach supports the Company s growth aspirations and provides appropriate alignment with shareholders. This means that even in years where shareholders have benefited from substantial share price growth, as they did during fiscal year 2013, senior executives may receive STI or LTI outcomes that are below target.

During its annual review, the Remuneration Committee assessed the Company s performance in fiscal year 2013 against the background of the gradual recovery in the US and the slight downturn in Australian markets. This review included reviewing fiscal year 2013 performance against:

- the Company s historical performance;
- the Company s peer group;
- the goals in the Company s Variable Remuneration STI and LTI plans; and
- the Scorecard, or key objectives and measures the Board expects to see achieved (the Scorecard).

Based on that review, the Board and Remuneration Committee concluded that management s performance in fiscal year 2013:

- was below target and fiscal year 2012 on earnings measures and slightly above target on growth measures, resulting in STI Variable Remuneration outcomes being substantially below both target for fiscal year 2013 and amounts paid for fiscal year 2012; and
- was (taken together with performance in fiscal years 2011 and 2012) superior to the 75th percentile of its peer group of companies on long-term measures, such as those set out in the Scorecard, resulting in LTI Variable Remuneration being above target for fiscal years 2011-2013, although lower than performance in fiscal years 2010-2012.

More details about this assessment, including the percentage of the maximum Variable Remuneration awarded to or forfeited by senior executives is set out in Section 3 of this Remuneration Report below.

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3. DESCRIPTION OF COMPANY S REMUNERATION ARRANGEMENTS

This section describes the Company s remuneration arrangements applying in fiscal year 2013.

3.1 Overview of Variable Remuneration

The Company s Variable Remuneration incentive plans for senior executives in fiscal year 2013 were:

Duration	Plan Name	Amount	Form Incentive Paid
Short-term (1 year)	Individual Performance Plan (IP Plan)	20% of STI Target	Cash
	Executive Incentive Plan (EIP Plan)	80% of STI Target	Cash
Long-term (3-5 years)	Long Term Incentive Plan (LTIP)	40% of LTI Target	Return on Capital Employed (ROCE) Restricted Stock Units (RSUs)
		30% of LTI Target	Relative Total Shareholder Return (TSR) RSUs
		30% of LTI Target	Scorecard LTI (cash)

3.2 Short-Term Incentive Variable Remuneration

3.2.1 Overview of Short-Term Incentives

Each year, the Remuneration Committee approves a STI target for all senior executives, which is expressed as a percentage of base salary. The STI target is allocated between corporate goals (under the EIP Plan) and individual goals (under the IP Plan). There was no change to STI targets for senior executives in fiscal year 2013:

Position	STI target as % of base salary	% of STI target allocated to corporate goals	% of STI target allocated to individual goals
Chief Executive Officer	125%	80%	20%
Chief Financial Officer	33%	0%	100%
Other senior executives	45-65%	80%	20%

3.2.2 Corporate Short Term Incentives Executive Incentive Plan

Each year, the Remuneration Committee approves a series of Payout Matrices for the US and Asia Pacific segments which provide a range of possible STI payouts depending on the Company s performance against performance hurdles which assess growth above market (Growth Measure) and earnings (Return Measure).

Each senior executive (other than the CFO) can receive between 0% and 300% of their STI target allocated to corporate goals under the EIP Plan based on the blended Payout Matrix results for the US and Asia Pacific segments.

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The Company uses two performance hurdles in the Payout Matrices to ensure that as management increases its top line growth focus, it does not do so at the expense of short- to medium-term returns. Management is encouraged to balance growth and earnings returns since achievement of strong rewards requires management to generate both strong earnings and growth above market. Higher returns on one measure at the expense of the other measure may result in a lower reward or no reward at all.

The Remuneration Committee believes that the STI Plan Payout Matrices are appropriate because they:

- provide management with an incentive to achieve overall corporate goals;
- balance growth with returns;
- recognise the need to flexibly respond to strategic opportunities depending on our markets ability to recover from the currently prevailing uncertain economic environment;
- incorporate indexing for factors beyond management s control; and
- incorporate Remuneration Committee discretion to ensure appropriate outcomes.

From fiscal year 2013, the Remuneration Committee also determined that the following adjustment would be made to the Growth Measure of the US Payout Matrix based on the Company s performance against market tracking data from the largest participants in the wood-look products market (collectively, the Wood-Aesthetic Market Index or WMI):

- if the Company meets or exceeds the performance of all three WMI participants, 0.2x will be added to the Growth Measure;
- If the Company meets or exceeds the performance of two of the three WMI participants, there will be no change to the Growth Measure; and
- If the Company fails to meet or exceed the performance of more than one of the three WMI participants, then 0.2x will be subtracted from the Growth Measure.

The purpose of this amendment was to further focus management on increasing the Company s share of the exterior cladding market at the expense of wood-look competitors, which is one of the Company s key strategies and, if successfully implemented, will create substantial value for shareholders.

To ensure that the Payout Matrices represent genuinely challenging targets aligned with the Company s executive remuneration philosophy, particularly in light of the gradual recovery in the US housing market, the Growth Measure and Return Measure are indexed to take into account changes in the US and Australian new housing starts, the US repair and remodel market and pulp prices. The targets for the Return Measure exclude costs related to legacy issues (including the impact of asbestos, ASIC proceedings, certain asset impairment charges and New Zealand product liability expenses) as well as the impact of exchange rate movements on the translation of earnings. The Remuneration Committee has reserved for itself discretion to change the STI paid on the basis of the Payout Matrices, and examples of instances when the Remuneration Committee would consider exercising this discretion include external factors outside of management s control and the impact of a management decision specifically endorsed by the Board. The Remuneration Committee will disclose the reasons for any such exercise of discretion in that year s Remuneration Report.

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The Company does not disclose the Growth Measure and Return Measure targets since these are commercial in confidence. However, achieving a target payment for fiscal year 2013 would have required performance in excess of the average of the performance for the previous three years on both the Growth Measure and the Return Measure.

3.2.3 Individual Short Term Incentives Individual Performance Plan

Each year, the Remuneration Committee approves a series of one-year STI goals which are used to assess the performance of senior executives. These include one-year achievement towards the three-year Scorecard goals as well as more specific STI one-year goals.

A senior executive can receive between 0% and 150% of their STI target allocated to individual goals under the IP Plan based on the Remuneration Committee s assessment of their contribution towards the Company s achievements on those one-year STI goals.

The Remuneration Committee believes that the IP Plan is appropriate because it links financial rewards to the senior executive s achievement of specific objectives that have benefited the Company and contributed to shareholder value and are not directly captured by the corporate component of the STI.

Board and Remuneration Committee assessment of management performance under STI Plans and for Fiscal Year 2013

The Company s results and the subsequent STI payouts for fiscal year 2013 were below STI target and fiscal year 2013 as a result of:

- the US business performing slightly above target on the Growth Measure (which requires performance well above market), due to strong category and market share growth. This included exceeding volume growth of the other fibre cement manufacturers, vinyl and engineered wood, resulting in the activation of a 0.2x exterior kicker to the Growth Measure;

- the US business performing substantially below the Return Measure due to lower average net sales price, higher manufacturing costs, an unfavourable shift in product mix and increased organisational costs to enhance capability in anticipation of an improved operating environment in the US;

- Asia Pacific performing slightly below target on the Growth Measure, due to the Australia business achieving growth above its target in a declining market and the New Zealand and Philippines businesses achieving growth above market but below their respective targets; and

- Asia Pacific performing below target on the Return and Growth Measures, due to lower returns in Australia and the Philippines business failing to offset improvements in the New Zealand business as a result of a competitive operating environment.

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In fiscal year 2013, after reviewing the charges for each individual plant, the Remuneration Committee exercised its discretion to exclude US$20.3 million of asset impairment and related charges across the Company s Fontana, Waxahachie, Summerville, Blandon, Peru and Cleburne plants from the Return Measure on the STI Plan Payout Matrices for the US business, for the following reasons:

- the Fontana, Waxahachie and Summerville charges related to work to re-commission idle assets at these plants in response to improving market demand to allow the Company to more cost-effectively pursue growth in key markets in a manner which is value accretive relative to operating the existing outdated assets at those plants. The Board and Remuneration Committee consider that management should not be disincentivised from such activities, which are clearly in the best interests of shareholders;

- the Blandon charges are a result of an appraisal that was performed in fiscal year 2013. The plant was idled in late 2007 during the housing downturn and during fiscal year 2013 management determined that the plant will not be re-opened; and has proposed the sale of the land and buildings at the Company s Blandon plant;

- the Peru charges relate to a prototype production line which was replaced by other lines with superior production capacity and economics and idled in fiscal year 2007, and which management now considers is unlikely to generate sufficient returns compared to existing and planned alternative capacity to support its carrying value; and

- the Cleburne expenses are asset impairment related charges and are as a result of the obsolescence and disposal of equipment and related spare parts.

The percentage of the maximum STI Variable Remuneration awarded to or forfeited by senior executives for (individual and corporate) performance in fiscal year 2013 compared to fiscal year 2012 was:

	Cash STI[1]	
	Awarded	**Forfeited**
	%	**%**
L Gries		
Fiscal Year 2013	20	80
Fiscal Year 2012	56	44
J Blasko		
Fiscal Year 2013	25	75
Fiscal Year 2012	56	44
R Chenu		
Fiscal Year 2013	75	25
Fiscal Year 2012	100	-
M Fisher		
Fiscal Year 2013	22	78
Fiscal Year 2012	58	42
N Rigby		
Fiscal Year 2013	-	100
Fiscal Year 2012	56	44

1 **Awarded** = % of fiscal year 2012 or 2013 Cash STI maximum actually paid. **Forfeited** = % of fiscal year 2012 or 2013 Cash STI maximum foregone. STI amounts were paid in cash under the Executive Incentive Program and IP Plan.

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3.2.4 Historical performance- Hybrid RSUs

Board and Remuneration Committee assessment of management performance under Hybrid RSU/Executive Incentive Plans for Fiscal Years 2011-2013

In June 2011, the Company granted Hybrid RSUs to senior executives on the basis of management s performance against EBIT goals in fiscal year 2011. During fiscal year 2013, Hybrid RSUs, which are treated as STI transferred to LTI, vested. The Remuneration Committee reserved to itself the discretion to review fiscal year 2011 performance with the benefit of another two years trading and assess whether those results were obtained at the expense of long term sustainability. Senior executives were granted 61,363 Hybrid RSUs, a grant equivalent to 25% of target (and 8% of maximum) Variable Remuneration allocated to the Hybrid RSUs. The Remuneration Committee reviewed the Company s performance in fiscal years 2012 and 2013 as part of the fiscal years 2011-2013 Scorecard LTI assessment, and determined that it would not apply any negative discretion in respect of these grants.

3.3 Description of LTI Variable Remuneration

3.3.1 Overview of Long-Term Incentives

Each year, the Remuneration Committee approves a LTI target for all senior executives. The LTI target is allocated between three separate components to ensure that senior executive performance is assessed based on a wide range of factors:

40% to ROCE an indicator of growth in the value of the Company s capital efficiency over time;

30% to TSR RSUs an indicator of the Company s performance relative to its US peers; and

30% to Scorecard LTI an indicator of each senior executive s contribution to the Company achieving its long-term strategic goals.

The LTI target amounts for the senior executives in fiscal year 2013 were:

Position	LTI target
Chief Executive Officer	US$ 3.1 million
Other senior executives	US$ 250,000-US$350,000

3.3.2 ROCE RSUs (40% of target LTI)

The Remuneration Committee introduced ROCE RSUs in fiscal year 2013 because the US housing market had stabilised to an extent which permitted the setting of multi-year financial metrics. The Remuneration Committee believes ROCE RSUs are an appropriate component of the LTI Plan because they:

allow the Remuneration Committee to replace the interim one-year metrics previously used during the US housing downturn with three-year financial metrics;

tie the reward s value to share price which provides alignment with shareholder interests;

ensure that the Company earns appropriate returns on the additional capital it spends in response to the improvement in the US housing market; and

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allow the Remuneration Committee to disregard items impacting ROCE (both positive and negative) where those items are beyond management s direct influence and control.

In addition, a continuation of the Company s strong ROCE performance will create shareholder value.

The maximum payout for the ROCE RSUs is 200% of target LTI. This is a reduction from the 300% maximum payout for the Hybrid RSUs which the ROCE RSUs replaced in fiscal year 2013. However, given the challenging ROCE targets and the existence of negative discretion for the Remuneration Committee based on the quality of the returns balanced against management s delivery of market share growth and performance against the Scorecard, the Remuneration Committee expects that vesting of ROCE RSUs is unlikely to be higher than target (ie 50% vesting) in most years.

ROCE is determined by dividing EBIT by Capital Employed.

EBIT will be earnings before interest and taxation as reported in the Company s financial results, adjusted by:

deducting the earnings impact of legacy issues (such as asbestos adjustments, including foreign exchange impact on the Company s asbestos provision, New Zealand product liability expenses and ASIC expenses);

deducting leasehold expenses, since potential upcoming changes in international accounting standards could cause significant volatility in this component; and

adding back asset impairment charges in the relevant period, unless otherwise determined by the Remuneration Committee. Since management s performance will be assessed on the pre-impairment value of the Company s assets, the Remuneration Committee would not normally deduct the impact of any asset impairments from the Company s EBIT for the purposes of measuring ROCE performance.

Capital Employed will start with net working capital and fixed assets (net of accumulated depreciation), which already excludes legacy issue-related items such as asbestos-related assets and liabilities, as reported in the Company s financial results, adjusted by:

adding back asset impairment charges in the relevant period, unless otherwise determined by the Remuneration Committee, in order to align the Capital Employed with the determination of EBIT;

adding back leasehold assets for manufacturing facilities and other material leased assets, which the Remuneration Committee believes give a more complete measure of the Company s capital base employed in income generation; and

deducting all greenfield construction-in-progress, and any brownfield construction-in-progress projects involving capacity expansion that are individually greater than US$20 million, until such assets reach commercial production and are transferred to the fixed asset register, in order to encourage management to invest in capital expenditure projects that are aligned with the long-term interests of the Company.

The resulting Capital Employed for each quarter of any fiscal year will be averaged to better reflect Capital Employed through a year rather than at a certain point in time.

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ROCE goals for the ROCE RSUs are based on historical results and take into account the expected impact of the recovery in the US housing market on EBIT and Capital Employed. Achievement in order to receive awards at LTI target (ie 50% vesting) will require improvement on the average of the performance of the Company for fiscal years 2010 to 2012 (after indexing for market improvements). The ROCE result in fiscal year 2013 was 18.0%

The goals for ROCE RSUs granted in fiscal year 2013 (for performance in fiscal years 2013 to 2015) were:

ROCE	% of ROCE RSUs vested
≤ 18.5%	0%
≥18.5%, but < 19.5%	25%
≥19.5%, but < 20.5%	50%
≥20.5%, but < 21.5%	75%
≥21.5%	100%

At the conclusion of this three-year performance period, the Remuneration Committee will review management s performance based on the quality of the returns balanced against management s delivery of market share growth and performance against the Scorecard. Following this review, the Remuneration Committee can exercise negative discretion to reduce the number of shares received following vesting of the ROCE RSUs. This discretion can only be applied to reduce the number of shares which will vest.

3.3.3 Relative TSR RSUs (30% of target LTI)

The Remuneration Committee believes that Relative TSR RSUs are an appropriate component of the LTI Plan because they provide alignment with shareholders even if macro conditions create substantial shareholder value, senior executives will only receive payouts if the total shareholder return of the Company s shares exceeds a specified percentage of the Company s peer group over a performance period.

The Company has used Relative TSR RSUs in its LTI Plan for some years. The Remuneration Committee made the following changes to the Relative TSR RSUs in fiscal year 2013:

- decreased the maximum payout from 300% of target LTI to 200%;
- shifted the payout schedule to commence payouts at the 40th percentile and provide maximum payouts at the 80th percentile; and
- removed three companies from the peer group (since they had been excluded from the peer group used for benchmarking purposes).

Total shareholder return measures changes in the share price of the Company and its peer group and assumes all dividends and capital returns are reinvested when paid.

The peer group for Relative TSR RSUs consists of the same peer group of companies exposed to the US housing market which the Company uses for compensation benchmarking purposes. The Remuneration Committee believes that US companies form a more appropriate peer group than ASX-listed companies as they are exposed to the same macro factors in the US housing market as the Company faces. The names of the companies comprising the peer group for each grant of Relative TSR RSUs are set out in section 8 of this Remuneration Report.

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The Company s relative TSR performance will be measured against the peer group over a three- to five-year period from grant date, with testing after the third year, and then every six months until the end of year five. To eliminate the impact of short-term price changes, the starting point and each test date are measured using an average 20 day closing price.

Relative TSR RSUs will vest based on the following straight-line schedule:

Performance against Peer Group	% of Relative TSR RSUs vested
<40th Percentile	0%
40th 79th Percentile	Sliding Scale
>80th Percentile	100%

The Remuneration Committee considered whether to retain re-testing in fiscal year 2013, given some investors prefer a single test for relative performance measures. The Remuneration Committee concluded that, given that the Company will incur the same accounting expense irrespective of the vesting outcome, retaining Relative TSR RSUs is more effective from a cost-benefit perspective. However, the number of re-tests will be reduced for TSR grants made in fiscal year 2014. The Remuneration Committee will continue to monitor the appropriate number of re-tests each year.

3.3.4 Scorecard LTI (30% of target LTI)

The Remuneration Committee believes that the Scorecard LTI is an appropriate component of its LTI Plan because it:

- allows the Remuneration Committee to set and reward executives on a balance of longer-term financial, strategic, business, customer and organisational development goals which it believes are important contributors to long-term creation of shareholder value;
- ties the reward s value to the Company s share price over the medium-term; and
- allows flexibility to apply rewards across different countries, while providing executives with liquidity to pay tax or other material commitments at a time that coincides with vesting of shares (via the other components of the LTI Plan) as payment is in cash.

Each year, the Remuneration Committee approves a number of key management objectives, including for individual senior executives, and the measures it expects to see achieved in relation to these objectives. These objectives are incorporated into that year s grant of Scorecard LTI. The Remuneration Committee monitors progress against the Scorecard twice each year. At the end of the three-year period, the Remuneration Committee assesses the Company s performance on each key objective and each individual senior executive s contribution to those achievements (with scores between 0 and 100) (and the Board reviews that assessment). Senior executives may receive different ratings depending on the contribution they have made during the three-year period. Although most of the objectives in the Scorecard have quantitative targets, the Company considers some of the targets to be commercial-in-confidence.

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The Company has used Scorecard LTI in its LTI Plan for some years. Since the Company s three-year priorities change from year to year, the Remuneration Committee expects that changes will be made to the Scorecard goals from time to time. The following changes to the Scorecard LTI goals were made for fiscal year 2013:

Goal	Change	Reasons
Primary demand growth	Supplemented to include growth against wood-look products.	To provide greater focus on the market segments where the Company can increase fibre cement s share of the market.
Product Mix Shift	No change to the objective. But as the Company develops new differentiated products, measurement of this goal will include those products.	Product mix shift is a key part of the Company s product leadership through creating new differentiated value-added products.
Managing during the Economic Crisis	Replaced with a new goal Positioning the Company for potential recovery .	Moving the Company to a more appropriate financial leverage and being ready to grow as the US housing market recovers.
Legacy Issues	Removed.	Most of the Company s legacy issues which existed in FY2004 or which subsequently have been addressed or resolved.

No specific weighting has been applied to any single objective and the final Scorecard assessment reflects an element of judgment by the Board. The Scorecard can only be applied by the Board to exercise negative discretion (ie, to reduce the amount of Scorecard LTI that will ultimately vest). It cannot be applied to enhance the maximum reward that can be received.

The amount received by senior executives is based on both the Company s share price performance over the three years from the grant date and the senior executive s Scorecard rating. At the start of the three-year performance period, the Company will calculate the number of shares the senior executives could have acquired if they received a maximum payout on the Scorecard LTI at that time (based on a 20 working day closing average). Depending on the senior executive s rating (between 0 and 100), between 0% and 100% of the senior executive s Scorecard LTI awards will vest at the end of the three-year performance period. Each senior executive will receive a cash payment based on the Company s share price at the end of the period (based on a 20 working day closing average) multiplied by the number of shares they could have acquired at the start of the performance period, adjusted downward in accordance with their Scorecard rating.

Further details related to the Scorecard for fiscal year 2013, including the method of measurement, historical performance against the proposed measures and the Board s expectations, were previously set out in the 2012 AGM Notice of Meeting. An assessment of the Company s Scorecard performance for fiscal years 2011-2013 is set out below. The Company will provide an explanation of the final assessment of performance under the Scorecard for fiscal years 2013-2015 at the conclusion of fiscal year 2015.

Board and Remuneration Committee assessment of management performance under Scorecard LTI for Fiscal Years 2011-2013

The Remuneration Committee s review of the Company s performance over fiscal years 2011-2013 against the Scorecard objectives, and the contribution of individual senior executives, resulted in senior

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executives receiving a weighted average Scorecard rating of 50% (from a range of 50% to 55%). Although these ratings resulted in outcomes above target in respect of fiscal years 2011-2013, the amount of reward is lower than in respect of fiscal years 2010-2012, where the weighted average Scorecard rating was 61% (from a range of 50% to 83%).

The Remuneration Committee s assessment of the Company s performance over the fiscal years 2011-2013 based on the Scorecard objectives as determined in mid-2010 is:

Measure	Performance over period	Board Requirement	Reasons	Assessment of Management s Performance
US Primary Demand Growth for Exteriors (PDG)	FY13: 6.8% FY12: 10.6%[1] FY11: (6.2)%[1] [1] Figures have been restated to reflect updated methodology calculation.	**Minimum:** Maintain relative to exterior market **Stretch:** Primary demand growth relative to exterior market	A key strategy for the Company is to maximise its market share growth/retention of the exterior cladding market for new housing and for repair & remodel segments, which it does by growing fibre cement s share of the exterior cladding market and by maintaining the Company s share of the fibre cement category.	Growth above stretch target achieved over three year period. Negative result in FY11 recovered and improved in FY12 and FY13.
US Product Mix Shift	Color Plus and Artisan penetration improved each year.	**Board Minimum:** 5% annual improvement in penetration of ColorPlus and Artisan products **Stretch:** 10% annual improvement in penetration of ColorPlus and Artisan products	The Company aims to maintain its leadership position across the fibre cement category of the exterior cladding market by developing new products/marketing/manufacturing approaches that will result in an improved mix of our products and gross margins.	Performance above stretch target, although ColorPlus improvement flattened in FY13, which is being addressed by the creation of a dedicated ColorPlus organisation.
US Zero To the Landfill (ZTL)	Over the three years the Company made significant progress in reducing the amount of materials sent to landfill.	**Minimum:** 5% annual reduction of equivalent dumpsters sent to landfill **Stretch:** 7% annual reduction of equivalent dumpsters sent to landfill	This measure is a primary contributor to the Company s environmental goals and improving material yield will reduce manufacturing costs. In addition, achieving important environmental, social and governance (ESG) goals reduces risk.	Good progress throughout period. Machine utiisations now at design and reliability close to being able to support the ZTL initiative. The elimination rate slowed as savings became more difficult to find. The goal was expanded in FY11 to a broader manufacturing efficiency goal.

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Measure	Performance over period	Board Requirement	Reasons	Assessment of Management s Performance
Safety	FY13: 1.57 28.9 FY12: 1.46 18.1 FY11: 1.74 18.8	No fatalities **Minimum:**10.4 Incident Rate (IR) (FY10 industry average) and 50 Severity Rate (SR) **Stretch:** 2.0 IR and 20 SR	Safety of Company employees is an essential ESG measure.	Performance generally above stretch goals throughout period. Results below 2 IR and 20 SR are now expected.
Strategic Positioning	JH Europe re-set as a growth business with expanded products and reach. Established new R&D centre to provide platform for activity to reduce reliance on fibre cement. Shaped trim and pultruded fibreglass offerings developing.	The Board expects that management will continue to diversify to provide more balance and greater profit opportunities to Company.	Developing and, as appropriate, implementing, alternative strategic actions for sustainable growth beyond the Company s traditional markets will create shareholder value through increased profits and diversification for lower risk.	Progressing as planned and exceeded minimum goals.
Legacy Issues	All major legacy issues known to exist in FY10 concluded.	**Minimum:** Resolve or address the Dutch domicile and make substantial progress on others **Stretch:** Resolve or address all legacy issues	Resolution of these issues is a fundamental component of the Company s ESG goals, paving the way to lower risk and more certainty for all stakeholders.	Performance met stretch goals. All major legacy issues concluded, largely in the Company s favour. Only remaining issue is conclusion of appeals of certain former directors and officers in the ASIC litigation (the Company is no longer involved in these proceedings).

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Measure	Performance over period	Board Requirement	Reasons	Assessment of Management s Performance
Managing During the Economic Crisis	Good results in downturn but the transition to market recovery has not gone as forecast, with EBIT margins below target	Maintain an adequate capital structure.	With the US building materials industry experiencing a downturn unprecedented in the past 60 years, managing the Company through this time so it can emerge at the end of this period in as strong or stronger competitive position in the overall industry is crucial.	Successful progress on capital structure and refinancing. Focus during the period was also expanded to include transition to market recovery, where performance has been below Board expectations.
Talent Management/ Development	The Company continues to have a strong management team.	It is not possible to set a specific goal for this measure beyond requiring that management capability be retained and grown.	Improving management development and capability is important to the Company s future growth.	Performance met Board expectations. Significant improvements in FY13 offset inadequate FY12 outcomes.

More detailed information on LTI Plans

More detailed information about the Company s LTI plans, including certain information required under applicable US laws, is set out in section 8 of this Remuneration Report.

3.4 Overview of Fixed Remuneration

Fixed remuneration consists of base salaries, non-cash benefits, participation in a defined contribution retirement plan and superannuation contributions.

3.4.1 Base Salaries

Base salary provides a guaranteed level of income that recognises the market value of the position and internal equities between roles, and the individual s capability, experience and performance. Base salaries for senior executives are positioned around the market median for positions of similar responsibility. Base salaries are reviewed by the Remuneration Committee each year, although increases are not automatic.

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3.4.2 Non-Cash Benefits

James Hardie s executives may receive non-cash benefits such as a cost of living allowance, medical and life insurance benefits, car allowances, membership of executive wellness programs, long service leave and an annual financial planning allowance (which includes tax return preparation assistance).

3.4.3 Retirement Plan/Superannuation

In every country in which it operates, the Company offers employees access to pension, superannuation or individual retirement savings plans consistent with the laws of the respective country.

We sponsor a US defined contribution plan, the James Hardie Retirement and Profit Sharing Plan, for our employees in the United States and a defined benefit pension plan, the James Hardie Australia Superannuation Plan, for our employees in Australia. The US defined contribution plan is a tax-qualified retirement and savings plan (401(k) Plan) covering all US employees, subject to certain eligibility requirements. Participating employees may elect to reduce their current annual compensation by up to US$17,500 in calendar year 2013 and have the amount of such reduction contributed to the 401(k) Plan, with a maximum eligible compensation limit of US$255,000. In addition, we match employee contributions dollar for dollar up to a maximum of the first 6% of an employee s eligible compensation.

The James Hardie Australia Superannuation Plan is funded based on statutory requirements in Australia and is based primarily on the contributions and income derived thereon held by the plan on behalf of the member, and to a lesser degree, on the participants eligible compensation and years of credited service. Under Australian law, employees do not have to belong to their employer s superannuation fund.

3.5 Relative Weightings of Fixed and Variable Remuneration in 2013

The Company s improved performance in fiscal year 2013 was reflected in an increase in the Variable Remuneration paid to senior executives in fiscal year 2013 compared to fiscal year 2012:

	Fixed Remuneration[1]	**Variable Remuneration[3]**				
		Cash Incentive[2]	ROCE RSUs %	Scorecard LTI %	Relative TSR RSUs %	Total Variable%
L Gries						
Fiscal Year 2013	13	7	28	31	21	87
Fiscal Year 2012	12	18	12	29	29	88
J Blasko[4]						
Fiscal Year 2013	36	9	19	22	14	64
Fiscal Year 2012	70	30	-	-	-	30
R Chenu						
Fiscal Year 2013	54	10	13	14	9	46
Fiscal Year 2012	54	12	6	14	14	46
M Fisher	35	11	19	21	14	65
Fiscal Year 2013	30	24	8	19	19	70

Fiscal Year 2012						
N Rigby[5]						
Fiscal Year 2013	100	-	-	-	-	-
Fiscal Year 2012	27	27	8	19	19	73

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1 Includes SG&A expenses incurred in the year indicated for base salary, non-cash benefits, expatriate benefits, other non-recurring benefits and superannuation/pension payments.

2 Includes STI amounts incurred under the Executive Incentive Program and IP Plan. The cash payments for each fiscal year are paid in the June following the end of the fiscal year.

3 Equity components include the total value of Hybrid RSUs, ROCE RSUs, Scorecard LTI and Relative TSR RSUs granted in fiscal year 2013.

4 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.

5 Ceased employment 30 June 2012 and did not receive any equity award grants in fiscal year 2013.

3.6 Variable Remuneration Payable in Future Years

Details of the accounting cost of the Variable Remuneration for fiscal year 2013 that may be paid to senior executives in future years are set out below. The minimum amount payable is nil in all cases. The maximum amount payable will depend on the share price at time of vesting, and is therefore not possible to determine. The table below is based on the fair value of the RSUs and Scorecard LTI according to US GAAP accounting standards and the Company s estimate of the Scorecard Rating to be applied to Scorecard LTI.

	Scorecard LTI[1] (US dollars)				ROCE RSUs[2] (US dollars)				Relative TSR RSUs[3] (US dollars)			
	FY2013	**FY2014**	**FY2015**	**FY2016**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2013**	**FY2014**	**FY2015**	**FY2016**
L Gries	403,025	742,950	742,950	339,925	268,683	495,299	495,299	226,616	369,122	680,452	680,452	311,330
J Blasko	32,502	59,915	59,915	27,413	21,669	39,945	39,945	18,276	29,768	54,875	54,875	25,107
R Chenu	45,503	83,881	83,881	38,379	30,335	55,921	55,921	25,586	41,675	76,825	76,825	35,150
M Fisher	45,503	83,881	83,881	38,379	30,335	55,921	55,921	25,586	41,675	76,825	76,825	35,150
N Rigby [4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	526,533	**970,627**	**970,627**	**444,096**	**351,022**	**647,086**	**647,086**	**296,064**	**482,240**	**888,977**	**888,977**	**406,737**

1 Represents annual SG&A expense for Scorecard LTI granted in September 2012 based on the Remuneration Committee assumption of final Scorecard rating. The fair value of each award is adjusted for changes in the Company s common stock price at each balance sheet date until the final Scorecard rating is applied in September 2015, at which time the final value is based on the Company s share price and the senior executive s Scorecard rating at the time of vesting.

2 Represents annual SG&A expense for the ROCE RSUs granted in September 2012. The fair value of each RSU is adjusted for changes in the Company s common stock price at each balance sheet date until the Remuneration Committee exercises negative discretion and some, all or none of the awards become vested in September 2015.

3 Represents annual SG&A expense for the Relative TSR RSUs granted in September 2012 with fair market value estimated using the Monte Carlo option-pricing method.

[4] Ceased employment 30 June 2012.

4. CHANGES TO REMUNERATION FOR FISCAL YEAR 2014

4.1 Overview of Remuneration for Fiscal Year 2014

The Board and the Remuneration Committee review the Company s existing remuneration arrangements each year.

There will be no increases in the CEO s base salary, target STI or target LTI in fiscal year 2014.

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The only change in the Company s STI Variable Compensation plans in fiscal year 2014 is the introduction of an additional adjustment to the US STI Payout Matrix, based on the Remuneration Committee s assessment of management s development and implementation of specific plans for the Company s interior products business.

The principal changes in the Company s LTI Variable Compensation plans are as follows:

- updating the performance hurdles required to achieve vesting of the ROCE RSUs, and indexing those hurdles for changes in housing starts and the repair and remodel market; and

- changing the payout schedule for the Relative TSR RSUs to increase the number of shares vesting at the 40th percentile and eliminating one of the four re-tests. The Remuneration Committee will continue to monitor the appropriate number of re-tests each year; and

- updating the Scorecard objectives for fiscal year 2014.

The following section summarises the changes to the Executive Incentive Plan and the Scorecard LTI for fiscal year 2014.

4.2 Changes to STI Variable Compensation for Fiscal Year 2014 (Executive Incentive Plan)

The Board proposes to continue with the basic Payout Matrix approach balancing performance on the Growth Measure against performance on the Return Measure for the corporate portion of the Executive Incentive Plan described in section 3.2 of this Remuneration Report.

However, in fiscal year 2014 it will supplement the existing adjustment of up to 0.2x (up or down) based on the Company s performance against market tracking data from the largest participants in the WMI, with a further adjustment of up to 0.2x (up or down) based on the Remuneration Committee s assessment of management s development and implementation of specific plans for the Company s interior products business.

The Remuneration Committee believes that this amendment will provide specific focus on the Company s interior products business, which is not covered by the existing Payout Matrix, which focusses on the exterior products business only.

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4.3 Changes to LTI Variable Compensation for Fiscal Year 2014

4.3.1 Scorecard LTI

The Remuneration Committee uses the Scorecard to set strategic objectives for which performance can only be assessed over a period of time. These objectives change from year to year in line with the Company s strategic priorities. The changes to the objectives for fiscal year 2014, and the reasons for those changes are set out below:

Goal	Change	Reasons
Product Mix Shift	Removed	Although this remains an important strategy for the Company and is reflected in a number of its one-year goals, the other goals are more important to the long-term value creation plans of the Company.
Talent Management/ Development	Renamed Build US organisational and leadership capability in support of the Company s growth targets	This goal has been renamed to provide a clear link between the Company s strategy and initiatives in this area.
Manufacturing Reset	Renamed Manufacturing capacity planning and sourcing efficiency	The goal has been renamed to reflect the substantial progress on the manufacturing reset and a broader focus on having adequate capacity and effective machine utilisation.
Effectively Manage Legacy Issues	Reinstated	New Zealand Ministry of Education representative action litigation commenced in fiscal year 2014.
Positioning the Company for potential recovery	Removed	The recovery in the US housing market means this goal can be removed.
Maintain Australia and New Zealand market position on core products and grow Scyon	Added	The Asia Pacific business is a significant contributor to the Company s results
Australian capacity expansion	Added	This is an important component towards achieving the Company s long-term growth plans in Australia.

The other components of the Scorecard remain unchanged.

4.3.2 ROCE RSUs and Relative TSR RSUs

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The 2013 AGM Notice of Meeting contains further details of the changes to the ROCE RSUs and Relative TSR RSUs.

5. REMUNERATION PAID TO SENIOR EXECUTIVES

5.1 Total Remuneration for Senior Executives

Details of the remuneration of the senior executives in fiscal years 2013 and 2012 are set out below:

(US dollars)	**Primary**			**Post-employment**	**Equity Awards**		**Other**	
Name	Base Pay	Bonuses[2]	Noncash Benefits[3]	Superannuation and 401(k) Benefits	Ongoing Vesting[4]	Mark-to Market[5]	Relocation Allowances, Expatriate Benefits, and Other Non-recurring[6]	**Total**
L Gries[1]								
Fiscal Year 2013	**$ 950,966**	**$ 638,875**	**$ 92,873**	**$ 14,826**	**$ 5,066,796**	**$ 1,024,436**	**$ 63,087**	**$ 7,851,859**
Fiscal Year 2012	956,825	1,959,285	106,960	14,700	4,832,467	1,469,093	104,000	9,443,330
J Blasko[7]								
Fiscal Year 2013	**306,577**	**91,693**	**54,401**	**15,817**	**76,641**	**7,297**	**-**	**552,426**
Fiscal Year 2012	230,769	161,730	45,840	9,808	-	-	387,062	835,209
R Chenu								
Fiscal Year 2013	**930,969**	**225,378**	**86,947**	**87,677**	**658,609**	**92,031**	**103,314**	**2,184,925**
Fiscal Year 2012	953,735	339,510	96,474	88,800	895,737	287,159	105,133	2,766,548
M Fisher								
Fiscal Year 2013	**452,145**	**174,661**	**42,940**	**15,273**	**683,969**	**104,492**	**-**	**1,473,480**
Fiscal Year 2012	434,317	416,599	50,979	14,877	701,388	220,125	-	1,838,285
N Rigby[8]								
Fiscal Year 2013	**150,721**	**-**	**14,105**	**-**	**213,985**	**36,268**	**116,741**	**531,820**
Fiscal Year 2012	509,711	529,939	28,469	-	734,313	171,637	-	1,974,069
Total Compensation for Senior Executives								
Fiscal Year 2013	**$ 2,791,378**	**$ 1,130,607**	**$ 291,266**	**$ 133,593**	**$ 6,700,000**	**$ 1,264,524**	**$ 283,142**	**$ 12,594,510**
Fiscal Year 2012	$ 3,085,357	$ 3,407,063	$ 328,722	$ 128,185	$ 7,163,905	$ 2,148,014	$ 596,195	$ 16,857,441

1 L Gries base pay includes US$149,058 and US$143,325 in fiscal years 2013 and 2012, respectively, for his services on the JHI plc Board.

2 Includes STI amounts that were paid in cash under the Executive Incentive Program and IP Plan and over/under accruals from fiscal year 2012. Per the EIP and IP Plan, the cash payments for each fiscal year are paid in June following the end of the fiscal year.

3 Includes the aggregate amount of all noncash benefits received by the executive in the year indicated. Examples of noncash benefits that may be received by executives include medical and life insurance benefits, car allowances, membership in executive wellness programs, long service leave, financial planning and tax services.

4 Includes equity award expense for grants of Scorecard LTI awards, Relative TSR RSUs, ROCE RSUs and Hybrid RSUs. Relative TSR RSUs are valued using Monte Carlo simulation method. Hybrid RSUs, ROCE RSUs and Scorecard LTI awards are valued based on the Company s share price at each balance date as well as the Remuneration Committee s current expectation of the percentage of the RSUs or awards which will vest. The fair value of equity awards granted are included in compensation during the period in which the equity awards vest. For Hybrid RSUs, ROCE RSUs and Scorecard LTI awards, this amount excludes the equity award expense in fiscal years 2013 and 2012 resulting from changes in the Company s share

price, which is disclosed separately in the Equity Awards Mark-to-Market column.

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5 The amount included in this column is the equity award expense in relation to Hybrid RSUs, ROCE RSUs and Scorecard LTI resulting solely from changes in the US dollar share price during fiscal years 2013 and 2012. During fiscal year 2013, there was a 25% appreciation in the Company s share price from US$7.99 to US$10.01.

6 Includes a charge to recognise gross-up and tax paid on equity vested during fiscal years 2013 and 2012 for which a portion of the vesting period was while L Gries and R Chenu were seconded to The Netherlands.

7 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.

8 Separated from the Company on 30 June 2012. Ongoing equity award expense reflects awards not lapsed or forfeited following separation. Did not receive any equity award grants in fiscal year 2013.

5.2 Equity Holdings of Senior Executives

(a) Options

Name	Grant Date[10]	Exercise Price per right (A$)	Holding at 1 April 2012	Granted	Total Value at Grant[1] (US$)	Vested	Exercised	Value at Exercise per right[2] (A$)	Lapsed	Value at Lapse per right[3] (AS)	Holding at 31 March 2013	Weighted Average Fair Value per right[4]
L Gries	5-Dec-03[5]	$ 7.0500	325,000	325,000	$ 338,975	325,000	(325,000)	1.3500	-	-	-	1.0430
	21-Nov-06[6]	$ 8.4000	415,000	415,000	$ 888,100	415,000	-	-	-	-	415,000	2.1400
	21-Nov-06[6]	$ 8.4000	228,600	381,000	$ 1,131,570	228,600	-	-	-	-	228,600	2.9700
	29-Aug-07[6]	$ 7.8300	445,000	445,000	$ 965,650	445,000	-	-	-	-	445,000	2.1700
	29-Aug-07[6]	$ 7.8300	437,000	437,000	$ 1,302,260	364,458	-	-	(72,542)	-	364,458	2.9800
J Blasko	-	-	-	-	-	-	-	-	-	-	-	-
R Chenu	22-Feb-05[5]	$ 6.3000	93,000	93,000	$ 107,973	93,000	-	-	-	-	93,000	1.1610
	21-Nov-06[6]	$ 8.4000	65,000	65,000	$ 139,100	65,000	-	-	-	-	65,000	2.1400
	21-Nov-06[6]	$ 8.4000	36,000	60,000	$ 178,200	36,000	-	-	-	-	36,000	2.9700
	29-Aug-07[6]	$ 7.8300	68,000	68,000	$ 147,560	68,000	-	-	-	-	68,000	2.1700
	29-Aug-07[6]	$ 7.8300	66,000	66,000	$ 196,680	55,044	-	-	(10,956)	-	55,044	2.9800
M Fisher	5-Dec-03[5]	$ 7.0500	132,000	132,000	$ 137,676	132,000	(132,000)	1.6339	-	-	-	1.0430
	14-Dec-04[6]	$ 5.9900	90,000	180,000	$ 183,276	180,000	(90,000)	3.9133	-	-	-	1.0182
	1-Dec-05[6]	$ 8.9000	190,000	190,000	$ 386,137	190,000	-	-	-	-	190,000	2.0323
	21-Nov-06[6]	$ 8.4000	158,500	158,500	$ 291,069	158,500	(90,000)	0.8700	-	-	68,500	1.8364
	10-Dec-07[6]	$ 6.3800	277,778	277,778	$ 275,084	277,778	(160,000)	2.8956	-	-	117,778	0.9903
N Rigby	5-Dec-03[6]	$ 7.0500	33,000	33,000	$ 34,419	33,000	(33,000)	0.5600	-	-	-	1.0430
	1-Dec-05[6]	$ 8.9000	190,000	190,000	$ 386,137	190,000	-	-	(190,000)	-	-	2.0323
	21-Nov-06[6]	$ 8.4000	158,500	158,500	$ 291,069	158,500	(158,500)	0.2500	-	-	-	1.8364

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(b) Restricted Stock Units

Name	Grant Date	Release Date	Holding and Unvested at 1 April 2012	Granted	Total Value at Grant[1] (US$)	Vested	Lapsed	Holding and Unvested at 31 March 2013	Weighted Average Fair Value per right[4]
L Gries	15-Sep-09[7]	15-Sep-12	234,900	234,900	$ 1,176,849	-	-	234,900	$ 5.0100
	11-Dec-09[7]	15-Sep-12	81,746	81,746	$ 564,865	-	-	81,746	$ 6.9100
	7-Jun-10[8]	7-Jun-12	360,267	360,267	$ 2,142,760	(360,267)	-	-	$ 5.9477
	15-Sep-10[7]	15-Sep-13	577,255	577,255	$ 2,595,627	-	-	577,255	$ 4.4965
	7-Jun-11[8]	7-Jun-13	45,687	45,687	$ 279,901	-	-	45,687	$ 6.1265
	15-Sep-11[7]	15-Sep-14	606,852	606,852	$ 2,500,291	-	-	606,852	$ 4.1201
	7-Jun-12[8]	7-Jun-14	-	166,459	$ 1,199,137	-	-	166,459	$ 7.2038
	14-Sep-12[7]	14-Sep-15	-	273,732	$ 2,041,356	-	-	273,732	$ 7.4575
	14-Sep-12[9]	14-Sep-15	-	284,916	$ 2,645,360	-	-	284,916	$ 9.2847
J Blasko	14-Sep-12[7]	14-Sep-15	-	22,075	$ 164,624	-	-	22,075	$ 7.4575
	14-Sep-12[9]	14-Sep-15	-	22,977	$ 213,335	-	-	22,977	$ 9.2847
R Chenu	15-Sep-09[7]	15-Sep-12	45,675	45,675	$ 228,832	-	-	45,675	$ 5.0100
	11-Dec-09[7]	15-Sep-12	15,895	15,895	$ 109,834	-	-	15,895	$ 6.9100
	7-Jun-10[8]	7-Jun-12	70,052	70,052	$ 416,648	(70,052)	-	-	$ 5.9477
	15-Sep-10[7]	15-Sep-13	72,157	72,157	$ 324,454	-	-	72,157	$ 4.4965
	7-Jun-11[8]	7-Jun-13	5,711	5,711	$ 34,988	-	-	5,711	$ 6.1265
	15-Sep-11[7]	15-Sep-14	68,516	68,516	$ 282,293	-	-	68,516	$ 4.1201
	7-Jun-12[8]	7-Jun-14	-	18,794	$ 135,388	-	-	18,794	$ 7.2038
	14-Sep-12[7]	14-Sep-15	-	30,905	$ 230,474	-	-	30,905	$ 7.4575
	14-Sep-12[9]	14-Sep-15	-	32,168	$ 298,670	-	-	32,168	$ 9.2847
M Fisher	15-Sep-09[7]	15-Sep-12	39,150	39,150	$ 196,142	-	-	39,150	$ 5.0100
	11-Dec-09[7]	15-Sep-12	13,624	13,624	$ 94,142	-	-	13,624	$ 6.9100
	7-Jun-10[8]	7-Jun-12	60,044	60,044	$ 357,124	(60,044)	-	-	$ 5.9477
	15-Sep-10[7]	15-Sep-13	67,003	67,003	$ 301,279	-	-	67,003	$ 4.4965
	7-Jun-11[8]	7-Jun-13	5,303	5,303	$ 32,489	-	-	5,303	$ 6.1265
	15-Sep-11[7]	15-Sep-14	68,516	68,516	$ 282,293	-	-	68,516	$ 4.1201
	7-Jun-12[8]	7-Jun-14	-	18,794	$ 135,388	-	-	18,794	$ 7.2038
	14-Sep-12[7]	14-Sep-15	-	30,905	$ 230,474	-	-	30,905	$ 7.4575
	14-Sep-12								