

**REMUNERATION POLICY
MEMBERS OF THE MANAGING BOARD
OF
JAMES HARDIE INDUSTRIES NV (THE "COMPANY")**

1. General

1.1. The objective of the Company's remuneration policy is to provide remuneration in a form that:

- Allows Top managers of the highest caliber to be recruited, motivated and retained as members of the Managing Board of a major international company;
- Rewards performance consistent with the Company's strategy; and
- Aligns remuneration with shareholders' interest.

This is also consistent with the remuneration policy for senior executives below Managing Board level, who have a significant performance-related element of pay within their remuneration package.

1.2. The remuneration policy of members of the Managing Board will be adopted by the General Meeting of Shareholders upon a proposal of the Supervisory Board that is based on a proposal of the Remuneration Committee. External advisers may be utilized to provide advice and information to the Remuneration Committee or the Supervisory Board.

1.3. The Supervisory Board will determine the remuneration of individual members of the Managing Board within the limits of the remuneration policy as adopted by the General Meeting of Shareholders.

2. Remuneration structure

2.1. The remuneration structure is divided into (i) Total Cash (consisting of base salary – not “at risk” - and annual bonus – “at risk”), (ii) long term incentives – “at risk” (consisting of stock or stock options or similar incentives and the long-term component of the bonus plan), (iii) Superannuation, Defined Contribution Plan or other Pension and (iv) Other benefits and allowances. These elements will be addressed further below.

2.2. The Remuneration Committee considers the remuneration structure annually to ensure it meets the objectives of the remuneration policy as well as to keep it competitive with developments in the market.

2.3. In determining the individual remuneration within the general remuneration policy, the Supervisory Board and the Remuneration Committee will take into account factors such as the individual's competencies, skills and performance in addition to the specific role and responsibilities of the relevant position. The CEO is invited to participate in the Remuneration Committee meetings to provide his insights on each individual's performance, however he does not attend when his own remuneration is being discussed.

2.4. To ensure the competitiveness of the overall remuneration provided to the Managing Board, the remuneration levels (base salary, target bonus, and equity) are benchmarked annually against a peer group of companies appropriate to the Member of the Managing Board's home country. Reference for compensation is the market for members of the managing board of comparable home country companies that have international presence.

3. Total Cash Compensation (base salary and bonus)

- 3.1. Reference for the "at target Total Cash" (base salary and annual bonus) is the market for members of the managing board of comparable home country companies that have international presence. The "at target Total Cash" will be benchmarked annually against the aforementioned market(s). Each member of the Managing Board receives a base salary that is fixed in the currency appropriate to the executive's home country. When granting increases to the base salary, the Remuneration Committee looks at a range of factors including the individual's performance, market data, advice received from independent experts for the specific position and responsibilities, and the remuneration of other senior executives across the James Hardie Group. While base salaries are reviewed each year, an annual increase is not guaranteed.
- 3.2. A significant proportion of the Managing Board member's "at target Total Cash" is made up of the executive's target bonus. The annual bonus focuses the members of the Managing Board on the business priorities for the coming financial year and has a long-term component of requiring sustained performance over three years in order to receive payments above the target bonus amount.
- 3.3. To receive a bonus, members of the Managing Board must achieve demanding corporate and personal targets, approved by the Remuneration Committee.
 - Corporate targets: based on a year-on-year increase in Economic Profit (Net Operating Profits After Tax (NOPAT) minus the cost of capital). The reference to Economic Profit supports the Company's primary objective to create long-term value and rewards consistent value creation over a long-term horizon. Every three years, with the assistance of independent advisors, the Remuneration Committee sets the amount the Company's Economic Profit must increase in each of the following three years to result in the achievement of the target bonus and the amount the Company must exceed the target in order to pay greater than target bonuses.
 - Personal targets: based on agreed key objectives relative to the Member of the Managing Board's specific responsibilities and how the member of the Managing Board's performance compares to his/her peers within the Company. The personal targets may vary per individual member of the Managing Board and may differ year by year. The Supervisory Board insists and ensures that personal targets are stretching and realistic.

The Supervisory Board is entitled to resolve that current and future members of the Managing Board do not participate in the bonus plan discussed above, but instead will be entitled to a maximum bonus based on the achievement of personal targets or a combination of personal and corporate targets.

4. Long term incentive plan (Equity and Long-Term component of the bonus plan)

- 4.1. Long-Term incentives are intended to ensure the members of the Managing Board are focused on sustaining year on year performance, and to align the interests of the members of the Managing Board with the shareholders. Currently, the main elements of the Company's Long-Term Incentives are the Long-Term Component of the Bonus Plan and Stock Options or other similar incentives.
- 4.2. Long-Term Component of the Bonus Plan: When the Company's Economic Profit performance exceeds the target by a predetermined annual amount, then the percentage the performance target is exceeded will be taken into consideration when calculating the bonus payment for that year for the members of the Managing Board, and other plan participants. The current years' bonus payment will only include 33.3% of the additional bonus funds generated by exceeding the target.

The remaining 66.6% of the additional bonus funds will be set aside and will only be paid 50% in each of the following two years if the Company continues to meet or exceed its Economic Profit target. If the Company does not achieve the performance target or misses the target by this predetermined amount, or more, then the funds that were set aside in previous years will be eroded and not paid at any time to the member of the Managing Board.

4.3. Equity: The members of the Managing Board will annually receive market competitive grants of stock, stock options or other similar incentives tied to the Australian Stock Exchange (ASX) traded CUFs (stock symbol, JHX). The grants will be managed under the relevant Managing Directors Stock or Stock Option Plan which will be submitted to shareholders for their approval. The current such plan relates to options and comprises:

- Number of options: The number of options granted to a member of the Managing Board is determined by the Supervisory Board based on the member's specific position and responsibilities, the grants to other senior executives across the James Hardie Group, and such other matters as the Supervisory Board may deem appropriate. Currently, the other matters taken into account by the Supervisory Board include each Managing Board member's home country.
- Timing of Grants: Options will only be granted during one of the Company's four open trading windows each year when the Company does not have Inside Information.
- Vesting Schedule/Performance Hurdles: The vesting schedule and performance hurdles will be set at each grant date under the terms and conditions of the Plan.
- Exercise Period: Once vested and subject to the expiry provisions, the options can be exercised during any open trading window up to 10 years after the date of the grant. After the Managing Board member leaves the Company, the period in which they are eligible to exercise vested options is limited. Where a Managing Board member is terminated for cause, all of that member's outstanding options will expire unless the Supervisory Board determines otherwise.
- Exercise Price: The exercise price for the options is the closing price of CUFs traded on ASX on date the options are issued. The exercise price for the options may be adjusted in accordance with the ASX Listing Rules if certain events occur, such as a rights issue by the Company or a reorganisation of its issued capital.

5. Superannuation, Defined Contribution or other Pension Plan

- 5.1. The Company does not have a single defined contribution plan, instead it utilizes various country specific plans:
- 401k (US home country members of the Managing Board) - the Company matches the Directors' contributions up to the lower amount, 6% of Directors base salary or the IRS cap;
 - Superannuation (Australian home country members of the Managing Board) - the Company contributes 9% of the base salary annually into the Superannuation fund for the Director;
 - for non US/Australian home country members of the Managing Board the pension scheme will be based on the individual situation and taking into account the pension practices in the home country.

6. Payments to be made on termination of employment

- 6.1. The members of the Managing Board have service contracts with the Company each with their own specific terms (including notice periods and severance payments). The notice periods and severance payments are agreed upon on an individual basis, taking into account home country practice and the member of the Managing Board's specific situation provided that a severance payment can not exceed the limits set out in the ASX listing rules or Australian Corporations Act 2002, unless approved by the General Meeting of Shareholders.

7. Other

- 7.1. In accordance with article 28 of the Company's Articles of Association, the Company shall enter into indemnification agreements with members of the Managing Board.
- 7.2. Managing Board Directors enjoy similar benefits to many other employees of the James Hardie Group. These include, as appropriate to each home country, subsidized medical insurance, the use of company cars (or cash in lieu), life insurance, disability insurance, assistance with relocation costs when moving from one country to another, housing and/or living away from home allowances and tax preparation services. Like other senior executives of the James Hardie Group, the Managing Board Directors receive up to \$10,000 annually for Executive Health and Wellness. Additionally, US home country members of the Managing Board receive funds to off-set the increased taxes that are a result of the Company being based in the Netherlands.