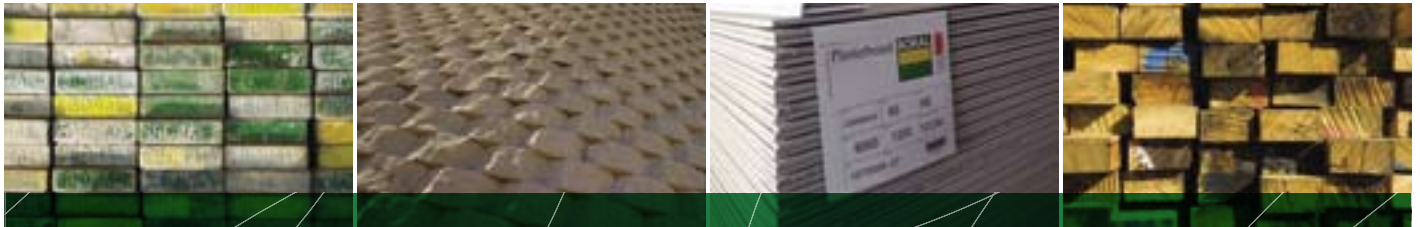


# Boral



In response to the market downturn,  
we are focused on lifting performance in the short-term  
and better positioning Boral for the long-term



Boral Limited Annual Review 2009



**Contents for the 2009  
Annual Review**

Responding to the Global Economic  
Downturn **2**

Chairman's Review **4**

Managing Director's Review **6**

Management Committee **9**

Summary of Results **10**

Summary of Reporting Groups **12**

Review of Operating Divisions

- Australian Construction Materials **14**
- Cement **16**
- Construction Related Businesses **18**
- Clay & Concrete Products **20**
- Timber **22**
- Plasterboard **24**
- USA **26**

Financial Review **28**

Board of Directors **30**

Corporate Governance **31**

Directors' Report **38**

Remuneration Report **43**

Concise Financial Report **60**

Statutory Statements **78**

Shareholder Information **79**

Financial History **81**

Glossary and Abbreviations **82**

**Our 2009 Sustainability Report can  
be found on the reverse side of this  
Annual Review.**

The Annual Review includes a  
concise report containing abbreviated  
financial statements. Detailed financial  
statements are available in the  
separate 2009 Financial Report, which  
shareholders may access on Boral's  
website [www.boral.com.au](http://www.boral.com.au) or request  
free of charge by phoning Boral's share  
registry on (02) 8280 7133 or via email to  
[registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
or by writing to Link Market  
Services, Locked Bag A14, Sydney  
South NSW 1235.

Boral Limited is a company limited by  
shares, incorporated and domiciled in  
Australia.

Front Cover: Boral Transport vehicle driving  
on the Hume Highway near Berrima in New  
South Wales. During the year, Blue Circle  
Southern Cement and Boral Transport  
acquired a competitive advantage by winning  
and successfully supplying cement and fly  
ash to three major Hume Highway projects  
simultaneously. The projects required a large  
scale logistics feat with an average lead  
distance of 360km. The distance travelled by  
the fleet was equal to circumnavigating the  
earth 120 times.

**The Annual General Meeting of Boral Limited will be  
held at the City Recital Hall, Angel Place, Sydney  
on Wednesday 28 October 2009 at 10.30am.**

**Financial calendar\***

Ex dividend share trading commences	24 August 2009
Record date for final dividend	28 August 2009
Final dividend payable	28 September 2009
Annual General Meeting	28 October 2009
Half year	31 December 2009
Half year profit announcement	10 February 2010
Ex dividend share trading commences	17 February 2010
Record date for interim dividend	23 February 2010
Interim dividend payable	23 March 2010
Year end	30 June 2010

\* Timing of events is subject to change.

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Australian Securities Exchange

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**CEO and Managing Director**  
Rod Pearce  
**Chief Financial Officer**  
Ken Barton  
**Company Secretary**  
Margaret Taylor  
**Auditor**  
KPMG

Boral is an integrated, resource-based manufacturing company supplying products and materials into building and construction markets in Australia, the USA and Asia.

With the global recession presenting significant market challenges, Boral's businesses are responding with comprehensive cost, price and capital management initiatives to lift Boral's performance in the short-term and to strengthen Boral's position for the long-term.

In 2008/09, the US housing market collapsed, the Australian housing and commercial construction markets declined significantly and Asian markets were impacted by the global downturn. Boral's businesses delivered record cost reductions and price increases, which helped to offset the significant impacts of volume declines and cost increases on Boral's results.

Key financial results for 2008/09:

- Net reported profit after tax down 42% to \$142 million
- Underlying profit after tax down 47% to \$131 million
- Sales revenue down 6% to \$4.9 billion
- EBITDA<sup>1</sup> down 22% to \$539 million
  - Australian EBITDA down from \$657 million to \$573 million
  - USA EBITDA down from A\$11 million profit to A\$61 million loss
  - Asia EBITDA<sup>2</sup> up from A\$16 million to A\$30 million
- EBITDA<sup>1</sup> to sales margin of 11.1%
- Underlying earnings per share down 46% to 22.2 cents
- Full year fully franked dividend of 13.0 cents

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding significant items.

<sup>2</sup> Includes EBITDA from construction materials in Asia and Boral's equity share of after tax and financing profits from the LBGA joint venture.

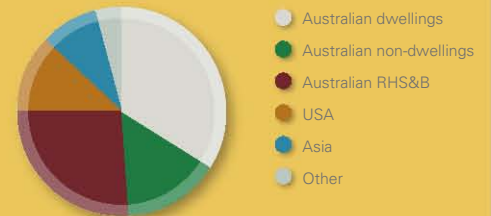
## Responding to the Global Economic Downturn

We are responding comprehensively to the market downturn, which intensified in 2009.

Boral is exposed to a number of market segments in the building and construction industries across a number of geographies. With the exception of the Australian infrastructure market segment<sup>1</sup>, which remained strong, Boral's major markets deteriorated significantly during the year.

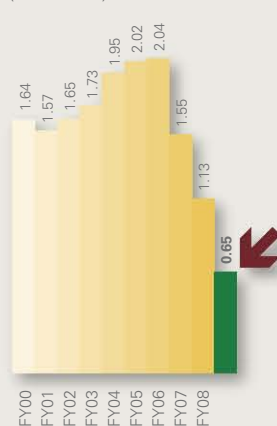
While we remain confident in the long-term strength of Boral's markets, in the short-term we have made some tough decisions to strengthen returns through the downturn and to position the Company well for an economic recovery.

Share of revenue 2009<sup>2</sup>



### US housing market at a 50 year low

US housing starts (millions)



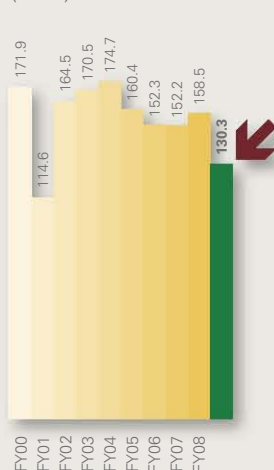
As the largest brick and roof tile manufacturer in the USA, traditionally around 20% of Boral's revenues and earnings are derived from US housing and construction markets. With a 68% decline in housing activity from peak levels in FY2006, including a 42% year-on-year decline in FY2009, revenues have nearly halved since FY2006. The US business delivered a significant loss in FY2009.

#### Response

- Despite the collapse in market volumes, prices and market share have held. Average brick prices increased by 1% in FY2009.
- US\$94 million of cost reductions and performance enhancement programs with US\$59 million already delivered.
- Boral's underlying US labour force is down by around 1,700 full-time equivalent employees (or over 50%) since the peak in FY2006.
- Rolling plant closures and mothballing to match production and sales and to manage inventories; brick plant utilisation averaged 30% of capacity and concrete roof tile plant utilisation averaged 16% in FY2009.

### Australian housing market at the bottom of a five year downturn

Australian housing starts ('000)



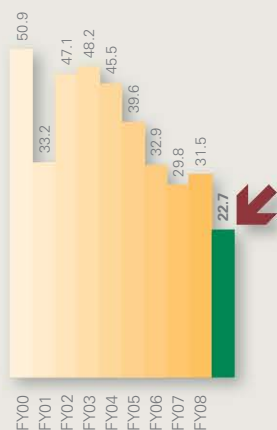
In recent years, the Australian housing market has reflected a "two speed" dual economy, where resource intensive states have grown, Victoria has been strong due to good affordability and planning, but NSW has declined due largely to poor affordability. However, in FY2009, the global recession led to a significant decline in housing activity in most states, including Queensland and Western Australia. Overall, Australian dwelling activity was 18% lower in FY2009.

#### Response

- Disciplined pricing outcomes with cement and concrete prices up 7%, quarry products up 5%, and bricks, roof tiles, timber and plasterboard prices up 3-4% in FY2009.
- An inventory build in the first half of FY2009 was largely reversed in the second half as production output was slowed through temporary and extended plant shutdowns and slowdowns. In WA, Midland Brick's Kiln 4 has been mothballed and Kiln 8 production suspended.
- Accelerated step change and performance enhancement programs in Building Products delivered \$38 million of benefits in FY2009.
- Australian full-time equivalent employees reduced by around 500 or 5% in FY2009 due to cost and production rationalisation programs.
- Capital expenditure has been significantly reduced. Construction of the new WA masonry plant was slowed but is now continuing.

## NSW housing activity the lowest in more than 40 years

NSW housing starts ('000)



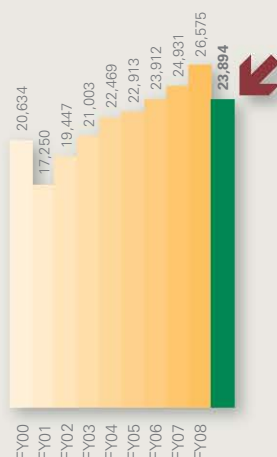
Around 40% of Boral's Australian revenues are traditionally derived in NSW and Boral has a large integrated asset base in NSW representing around 50% of Boral's Australian assets. The significant and protracted downturn in NSW over the past six years has had a substantial impact on Boral. The NSW housing market was down a further 28% in FY2009, with activity levels around 52% below underlying demand.

### Response

- In NSW, Boral's plants are operating between around 50% and 80% of capacity. The Gloucester parquetry plant has been closed and production suspended at several NSW operations, including the Walcha timber mill, Galong lime kiln and Kempsey brick plant. Rolling plant shutdowns have impacted most other operations.
- With production volumes low to match sales and manage inventory, manufacturing costs per unit of production have increased, requiring cost reduction programs in all businesses.
- While the Berrima cement works is operating well and benefited from the Hume Highway construction projects in FY2009, production volumes have been lowered to match demand.
- Quarry End Use earnings, which are typically around \$40-\$50 million p.a., are expected to reduce to around \$25-\$30 million in FY2010, reflecting the slowdown in residential and commercial property markets, particularly in NSW.

## Australian concrete volumes down 10% (and 18% down in second half)

Australian concrete volumes ('000 cubic metres)



Typically, 40% of concrete demand is driven by dwelling, 35% by RHS&B infrastructure<sup>1</sup> and 25% by non-dwellings construction activity. Dwelling starts were down around 18% and non-dwelling value of work approved was down 25%, while RHS&B activity was 25% stronger in FY2009. This resulted in a 10% reduction in concrete demand in FY2009 with volumes in the second half of the year down 18% on the prior corresponding period.

### Response

- Despite volume pressures, a strong focus on disciplined pricing behaviour saw cement and concrete prices lift by 7% in FY2009.
- Due to Boral's strong focus on lifting margins through price increases, some temporary market share loss was experienced during the year.
- Australian Construction Materials delivered \$76 million of step change and cost reduction benefits in FY2009 from a range of initiatives including reductions in overtime, labour hire, and administration costs, and improvements in logistics and concrete mix designs.
- A significant step change program is underway in Blue Circle Southern Cement with early indications of a possible 10% compressible cost reduction over FY2010 and FY2011.
- Boral's Asphalt business performed strongly, benefiting from strong infrastructure volumes.

<sup>1</sup> Boral's Australian infrastructure activity is predominantly Road, Highways, Subdivisions and Bridges (RHS&B).

<sup>2</sup> Includes Boral's equity accounted share of joint venture revenues from MonierLifetile (USA) and LBG (Asia).

#### Sources:

- US housing starts seasonally adjusted data from US Census.
- Australian and NSW housing starts from Australian Bureau of Statistics (ABS) to Mar-09; estimate for Jun-09 quarter based on Mar-09 quarter approvals.
- Australian concrete volumes from ABS.
- Non-dwelling value of work approved from ABS to Mar-09; estimate for Jun-09 quarter based on BIS Shrapnel value of work commenced forecast (as at Jun-09).
- RHS&B value of work done from ABS to Mar-09; Jun-09 quarter based on BIS Shrapnel forecast (as at Jul-09).



Ken Moss

**All of Boral's major markets deteriorated significantly during the year, particularly in the second half of the year, with the exception of the Australian roads and infrastructure market segment, which remained strong. US housing activity slumped to around 650,000 starts, a 42% decline on the prior year; Australian housing activity was down by 18% to 130,000 starts; the value of non-dwelling activity in Australia was down 1% and approvals were down 25%; and in Asia, the global recession slowed activity in domestic building and construction markets.**

In 2008/09, Boral delivered a reported profit after tax of \$142 million, which was 42% below the prior year. The reported profit included a number of significant items which had a net favourable impact of \$11 million. Excluding those significant items, Boral's underlying profit after tax of \$131 million was 47% lower than the prior year. This reduced profit reflects significant downturns in activity in Boral's housing and commercial construction markets underpinned by the global recession.

The significant items that delivered a net benefit of \$11 million in 2008/09 included a \$27 million after tax profit arising from the sale of Boral's 17.6% shareholding in Adelaide Brighton Limited and a \$64 million favourable reduction in tax provisions. These favourable significant items were largely offset by \$63 million of after tax impairment charges and a \$17 million after tax expense in relation to contractual obligations to purchase fly ash in Florida where market conditions are limiting product sales. The impairment charges were taken in relation to US construction materials, an Australian precast concrete panels business, idle US and Australian brick production assets, and land and capitalised project costs in Australia and Asia.

For the year ended 30 June 2009, sales revenue of \$4.9 billion was 6% lower than the prior year and Boral's underlying EBITDA (earnings before interest, tax, depreciation and amortisation) was down 22% to \$539 million.

### Responding to significant market challenges

To help mitigate the impacts of the severe decline in US markets and the downturns in Australia and Asia, extensive cost reduction programs, disciplined price management, capacity rationalisation and substantial lowering of capital expenditure continued throughout the business.

Step change cost reductions and "performance enhancement programs" (PEP) delivered \$195 million of benefits during the year. This was the largest cost down/PEP program of the past 10 years. Employee numbers at 30 June 2009 of 14,766 were 7% lower compared with 15,928 employees in the prior year. Across most operations we are also using a lot less contract labour, with total full-time equivalent contractors reducing from around 7,000 to around 5,700 during the year. Overall, Boral's total number of full-time employees and contractors reduced by 2,460 or about 11% in FY2009.

A comprehensive focus on managing the business for cash through the downturn helped to support Boral's solid balance sheet. Cash flow from operations, lower capital expenditure, proceeds from the divestment of Boral's 17.6% stake in Adelaide Brighton and a 16% appreciation of the AUD/USD exchange rate at 30 June 2009 compared to 31 December 2008 resulted in Boral's net debt of \$1,514 million at 30 June 2009 being \$670 million lower than the net debt of \$2,184 million at 31 December 2008. Gearing (debt/equity) decreased from 79% at 31 December 2008 to 55% at 30 June 2009.

### Shareholder returns

A fully franked final dividend of 5.5 cents per share takes the full year fully franked dividend to 13.0 cents. The final dividend represents a pay-out ratio of 58% of underlying after tax earnings, which is in line with an average of around 60% of earnings over the past nine years. As a result of the significant market related earnings decline, the full year dividend of 13.0 cents is substantially lower than the 34.0 cent dividend which has been paid out of earnings over the past four years.

For the half year dividend, shares issued under Boral's Dividend Reinvestment Plan (DRP) were issued at a 2.5% discount to the market price and the take-up of the DRP lifted from around 30% to 41%. This initiative assisted in preserving cash in the period. The 2.5% DRP discount will also apply to Boral's final dividend.

Boral's total shareholder return (TSR) from share price appreciation and dividends was around 16% per annum over the nine and a half years since demerger to 31 August 2009. Boral's TSR performance is above average, ranking in the second quartile of ASX 100 companies over the period.

### Corporate governance and remuneration

Following Boral's 2008 Annual General Meeting, the Board undertook a fundamental review of executive remuneration practices in Boral, which was carried out with the assistance of an independent adviser, Ernst & Young. The review process was concluded with a comprehensive stakeholder engagement program, involving members of the Remuneration Committee and other Board members meeting with representatives of retail and institutional investors and governance advisory firms. We have worked hard to balance the needs and expectations of our shareholders and the broader community with the need to appropriately remunerate our people in a competitive marketplace. Our remuneration policies and practices are focused on linking performance and reward while taking into

consideration the particular challenges that a cyclical company like Boral presents.

In addition to the specific actions taken by the Board as a result of the formal remuneration review, a number of remuneration restraint initiatives were implemented during the year in response to shareholder concerns and the difficult market conditions impacting Boral's profitability. These restraint initiatives include: a salary "freeze" for the CEO, Management Committee and other senior executives from September 2008 through to September 2010; the CEO and Management Committee voluntarily forgoing their short term incentive entitlements for 2008/09; and a "freeze" on Directors' fees from July 2008 through to July 2010. These actions demonstrate a shared commitment of the Board and Management to lead by example.

This year's Remuneration Report (on pages 43 to 59 of Boral's Annual Review) provides further detail of our approach to remuneration, the improvements that have been made following the review and remuneration outcomes in 2009.

Boral's Directors are committed to ensuring that Boral's policies and practices reflect a high standard of corporate governance. On pages 31 to 37, we report on our corporate governance activities in accordance with the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

### **Boral's Board and CEO succession**

In 2008/09, there were a number of announcements and steps taken in relation to Board and CEO succession.

In September 2008, Paul Rayner was appointed as a non-executive Director of Boral Limited. His appointment was confirmed by shareholders at the 2008 Annual General Meeting.

In June 2009, Rod Pearse announced his intention to retire at the end of December 2009, when his second five year contract comes to an end. Rod joined Boral in 1994 and has been Managing Director and CEO since the demerger of the Company in January 2000. While Rod still has several months in the job, on behalf of the Board, I congratulate Rod for his achievements as Boral's CEO and I thank him for the way he has led the Company in good times and in challenging times. Rod is a natural leader with strong personal values that have permeated throughout the organisation and in his dealings with customers, shareholders and others.

While he may not be retiring at a point in the cycle when Boral's earnings are strong, Rod has successfully reshaped Boral into a focused building and construction materials company that has performed well through the cycle. Rod has delivered strong improvements in pricing and in the underlying performance of the business as well as continuous improvements in safety and sustainability outcomes. On the growth side, around \$2.5 billion has been invested in growth initiatives over the past decade, which has seen Boral's production capacity, resource positions and distribution networks strengthen as well as stepouts into new markets and geographies. Of note has been Boral's move into construction materials in the USA, growth in plasterboard throughout Asia, and numerous bolt-on acquisitions in Australia that have secured Boral's leading market positions. The Quarry End Use business was established early in Rod's tenure; it has contributed an average annual profit of almost \$40 million over the past nine years. Boral is very well positioned to deliver superior performance as markets recover.

Following Rod's decision to retire, I made a decision that I would seek re-election as Boral's Chairman to provide continuity during the change of CEO. Assuming I have shareholders' support, I intend to stay on as Chairman until May 2010. In July 2009, we announced that Dr Bob Every had been appointed Deputy Chairman of the Board with the intention of Bob becoming Chairman when I retire in May 2010.

We also announced that John Cloney, who joined the Board in 1998, will retire as a Director at this year's Annual General Meeting. Together with the Board, I acknowledge the significant contribution that John has made to Boral, including his valued contribution as Chair of the Remuneration Committee.

The Board is continuing to progress the appointment of a new CEO and Managing Director to take over from Rod from 1 January 2010. We intend to make an announcement prior to Boral's Annual General Meeting, which is scheduled for 28 October 2009.

### **Boral's people**

Apart from Boral's CEO, the remaining 11 senior executives on Boral's Management Committee have an average tenure of 11 years with Boral, ranging from one to 21 years. This is a capable team of executives with a good blend of internal and external experience. During the year, there was some renewal on the Management Committee with the appointment of Margaret Taylor as Boral's new General Counsel and Company Secretary and the internal appointments of three new Executive General Managers, Nick Clark, Warren Davison and Mike Beardsell. Nick is running Boral's Clay & Concrete Products division, Warren is heading up Construction Related Businesses, and Mike Beardsell is running the Cement division. These three appointments followed the resignation of two long-serving EGMs earlier in the year.

I thank Boral's CEO, management team and all of Boral's employees for their hard work and contribution over the past year. It has not been an easy time for any of our businesses and when the focus is on reducing costs as far as possible, it is commendable to see morale remaining strong and safety performance continuing to strengthen.



Ken Moss, CHAIRMAN

## Managing Director's Review



Rod Pearse

**Last year I said that in 2007/08 and looking forward it was *not business as usual*. I said that several extraordinary external factors had coincided to create a particularly challenging business environment. In 2008/09, those external market challenges intensified, with the global recession having a significant impact on Boral's US and Australian markets, and in Asia.**

**The synchronised downturn in market activity has required a comprehensive response to lift performance in the short-term and to position the Company well for an inevitable recovery and for long-term growth.**

### Market challenges intensify in 2009

In January 2009, we foreshadowed to the market that our second half earnings would be well down on the first half as a result of an anticipated deterioration in market activity in the USA and Australia. This is precisely what happened.

Fortunately, the Australian infrastructure market (predominantly roads, highways and bridges) remained strong during the year, supported by government spending. Activity in Boral's other major markets deteriorated significantly. The market downturn was particularly severe in the second half of the year.

Boral's reported sales revenue of \$4.9 billion for the year ended 30 June 2009 was 6% lower than last year. Boral's underlying profit after tax (PAT) of \$131 million, before significant items, was 47% below last year's underlying PAT of \$247 million but was 9% above Boral's January guidance.

### Australia

Australian dwellings were down by around 18% to an estimated 130,000 starts in 2008/09. Dwelling starts in the first half were running at around 144,000 per annum, and in the second half activity declined to around 116,000 starts on an annualised basis. This compares with BIS Shrapnel's forecast of underlying demand of 183,000 starts per annum for the past three years.

Non-dwelling approvals, which indicate the level of forthcoming commercial construction, were down by around 25% with project cancellations and deferrals increasing as weaker business confidence

was coupled with funding constraints and increased borrowing costs.

Approvals for the construction of dwellings and non-dwellings were down in all states during the year. In Boral's largest state market, New South Wales, approvals for dwellings were down 26% and non-dwellings value of work approved was down by around 28%. Housing activity in New South Wales remained the lowest it has been in more than 40 years.

In Australia, Boral's production output has been slowed to match sales demand and to reduce inventory. We have suspended production at several operations, including the Walcha timber mill, our lime kiln at Galong, Midland Brick's Kiln 8 and the Kempsey brick plant, and we have continued a program of temporary and extended plant shutdowns and slowdowns.

Boral's Australian Building Products revenue of \$1.3 billion was down 6% and EBITDA of \$98 million was down 41% due to significantly weaker market conditions and reduction of inventories, particularly in the June half. Higher manufacturing costs resulting from plant slowdowns and shutdowns had a significant adverse impact on profits. Construction Materials revenue was down 5% to \$2.8 billion, reflecting lower volumes and lower Quarry End Use (QEU) revenues offsetting benefits from price increases and higher asphalt volumes. Construction Materials EBITDA was down 3% or \$14 million on last year to \$475 million including QEU earnings of \$47 million which were \$7 million lower year-on-year.

### USA

In the USA, housing activity continued its dramatic decline. Housing starts were down 42% to 650,000 starts in 2008/09. In the first half of the year, housing activity was at an annualised rate of around 765,000 starts while in the second half it deteriorated to around 535,000 starts per annum. Over the past 50 years, US housing starts have averaged 1.5 million starts per annum and underlying housing activity is estimated to be around 1.8 million starts per annum.

We operated our concrete roof tile plants at around 20% of capacity in the first half of the year and lowered this to 12% in the second half. Similarly, capacity utilisation in our brick plants averaged 30% during the year with second half utilisation around 20%. At year end, eight of Boral's 23 brick plants were mothballed and a further six temporarily closed until market demand recovers.

We are operating at record low volumes in the USA and are well below the break-even point. With revenue down 33% on the prior year to US\$406 million, the US business reported an EBITDA loss of US\$45 million (or A\$61 million in Australian dollars), which compares to a US\$10 million (or A\$11 million) profit in the prior year.

The US business moved from a position of profitability to reporting a loss once the market had fallen below around 1.1 million housing starts. Through a significant cost reduction program, we have reduced the break-even point of the business; it should return to an EBIT profit when the market exceeds around 900,000 to 950,000 housing starts per annum.

### Asia

In Asia, Boral's key market exposures are in South Korea, Thailand, Indonesia and China. The global economic downturn impacted Asian construction activity from the September 2008 quarter. Various governments in Asia, notably China, have announced major stimulus packages to counter the economic downturn which should be favourable for future construction.



Pleasingly, revenues from Asia increased by 15% to A\$219 million, reflecting significant price increases that were necessary to recover input cost increases. EBITDA from operations in Asia increased to \$30 million from \$16 million last year reflecting significant operational improvements and price gains in construction materials despite lower volumes and difficult market conditions. Results from Boral's 50%-owned plasterboard joint venture, LBGA, were weaker in the first half but pricing improvements and a significant cost reduction program offset lower volumes and cost pressures during the second half.

### **Responding to the downturn by lifting short-term performance**

Our response to the significant synchronised downturns in Boral's markets has been to substantially decrease production to match sales and to manage inventories, together with a disciplined approach to pricing, widespread and rigorous cost reduction initiatives, a focus on improving cash flow and substantial constraints on capital expenditure.

The \$195 million of cost reduction benefits delivered during the year represent a record 4.5% reduction in compressible costs. These benefits are being delivered through a range of initiatives including: reductions in overtime and labour hire; streamlining of management and administration functions; improvements in logistics, concrete and asphalt mix designs, and quarry yields; increased use of alternative fuels and materials; and rationalisation of transport depots and distribution branches.

In the USA, we have rolled out a comprehensive US\$94 million cost reduction program which delivered US\$49 million of benefits in 2008/09. Further incremental benefits in excess of US\$24 million have been targeted for 2009/10 (including Boral's 50% share of MonierLifetile). The size of these additional savings will be dependent on market activity levels but will be based on a further reduction in the workforce, improved manufacturing processes and lower procurement costs.

A disciplined approach to price management has also been critically important in lifting performance through the downturn. Prices increased in most businesses in 2008/09 with \$165 million of benefits delivered from price improvements, the largest year-on-year price lift in at least 10 years. Our pricing focus in the first half of 2009/10 will be to gain full traction from previously announced price increases and where possible implement new price increases. For example, concrete, quarry and cement price increases that were announced effective 1 April 2009 are continuing to be realised. Price increases of 6% have been announced for bricks and pavers in New South Wales and Queensland to take effect from 1 October 2009 and a similar increase was implemented in Victoria effective 1 July 2009.

With increased focus on cash management, managing working capital and reducing capital spending has been a priority. While operating cash flow decreased by \$163 million to \$419 million over the year, cash flow of \$278 million in the June half nearly doubled the cash flow of \$141 million delivered in the December half.

Capital expenditure has continued to be significantly wound back, with growth and acquisition capital expenditure reduced by 76% to \$77 million. Stay-in-business capital of \$163 million was \$6 million lower and remained at around 62% of depreciation levels. Several new growth investments have been delayed until markets and cash flows recover. We are, however, continuing to monitor and assess growth opportunities that will create shareholder wealth through the cycle.

Boral's balance sheet is in a relatively strong position at the bottom of the cycle with gearing (debt/equity) of 55%, well within Boral's target range of 40%-70%. Boral's liquidity is strong and should continue to sustain us well through the downturn; we have around \$820 million of undrawn committed facilities at 30 June 2009 and no material refinancing requirements until August 2011.

### **Outlook for 2009/10**

While forecasting remains particularly difficult in the current economic climate and Boral's businesses have developed plans that allow for a range of market outcomes, we expect that 2009/10 will be another year of challenging market conditions.

In Australia, Boral's Building Products businesses are currently producing at a rate to supply housing starts of around 120,000. However, the Housing Industry Association is forecasting a lift to around 145,000 starts in 2009/10 and BIS Shrapnel is forecasting a more significant rebound to 160,000 starts. Lower interest rates combined with improvements to the First Home Owners Grant have significantly improved affordability and flow through is expected from the social and defence housing component of the Federal Government Stimulus Package. Finance approvals for new dwelling construction have risen which will eventually flow through to building activity. Boral's production levels will lift to match sales increases as they eventuate and our Australian Building Products earnings are expected to lift in 2009/10 on the back of stronger volumes and improved pricing.

On the other hand, Construction Materials activity and earnings in Australia are expected to decline in 2009/10 due to the decline in non-dwellings and softer infrastructure activity. We anticipate QEU earnings to fall in 2009/10 to around \$25 million to \$30 million due to the downturn in the property sector and to be less heavily weighted to the second half than in previous years.

In the USA, it remains unclear when a turnaround in housing activity will occur. Many economists are forecasting a recovery to begin from late calendar year 2009. We expect US housing starts in the December 2009 half to be similar to June 2009 half starts, with a recovery occurring in the June 2010 half. Overall, we anticipate a broadly similar level of housing activity in 2009/10 as was experienced in 2008/09. Continued benefits from significant cost reduction programs across the entire business and increased second half sales and production volumes will reduce losses in the US in 2009/10, particularly in the June half.

In Asia, domestic building activity remains sensitive to the effect of the global recession, however, plasterboard volumes and profits will be more resilient as product penetration continues and a strong focus on better pricing outcomes and cost reduction programs is expected to support margins. In Construction Materials in Asia we expect some volume and earnings pressures.

Across Boral's businesses, performance enhancement programs and step change initiatives of 4% of compressible costs have been targeted for 2009/10. Interest expense will be lower because of reduced debt levels. Capital expenditure will be further reduced and working capital will continue to be managed tightly.

Current market conditions are expected to broadly continue during the first half of 2009/10. Second half activity levels are expected to be stronger than in the December 2009 half but are difficult to forecast at this point in time.

We will provide a trading update at Boral's Annual General Meeting on 28 October 2009.

### Positioning the Company well for the long-term

Despite the current depressed levels of demand, we have long-term confidence in Boral's markets. We support the view of Harvard University's Joint Centre for Housing Studies that underlying demand for new housing in the USA is around 1.8 million starts per annum. In Australia, according to BIS Shrapnel, underlying demand over the past three years has been around 183,000 starts per annum and over the next five years will be around 169,000 per annum, reflecting a reduction in net overseas migration.

Over the past 10 years, we have positioned the Company well to supply the market through the peaks and the troughs of the building cycles and to deliver strong returns when the market is operating at underlying demand and long-term average levels. We have invested in low cost modern capacity in higher growth markets and we have closed higher cost older capacity at the bottom of the cycle. We have grown Boral's distribution networks and stepped out into new markets and new geographies. A decade ago, Boral was operating in five countries; today, Boral has operations in 10 countries and a distribution presence in a further three. We have strong, cost-competitive resource positions that have strengthened Boral's competitive advantage over the past decade.

Over the past year, we have significantly reduced capital expenditure until markets recover. We are, however, moving forward with several capital projects. We are rebuilding the Artarmon concrete batching plant for around \$12 million, which is critical to supply Sydney, North Sydney and Chatswood business districts; the Artarmon plant is expected to be completed in the June 2010 quarter and is benefiting from the Federal Government's Investment Allowance. In Western Australia, the construction of our previously announced new \$44 million masonry plant to replace two existing plants was slowed but is now continuing; market growth and cost reduction benefits together with cash flows from the sale of the Jandakot and Cannington sites will result in strong investment returns. In Asia, LBGA is building a new US\$48 million plasterboard plant at Baoshan in Shanghai, China, and a new US\$43 million production line at Saraburi in Thailand, which are expected to be in operation by June 2010 and September 2010 respectively. These investments are being funded by the JV and are important to retaining LBGA's leading position in Asia and to supplying the strong underlying growth in plasterboard in the region.

### Delivering our objectives through the cycle

When I took over as Boral's CEO and Managing Director nearly 10 years ago, following the demerger of the Company from Boral Energy (now Origin Energy), our goal was to reshape Boral into a focused building and construction materials company operating in Australia and increasingly offshore. This increased focus has made Boral more exposed to the cyclical highs and lows of the building industry but considerable shareholder value has been created as a result of the increased focus.

Over the past decade, we have had four financial objectives and, through the cycle, performance against objectives has been solid.

Our first objective is to deliver returns that exceed Boral's weighted average cost of capital through the cycle. Since demerger, Boral's EBIT return on funds employed has averaged 12.7%, which is above Boral's weighted average cost of capital.

Our second objective has been to deliver better financial returns than the competition in comparable markets. Pleasingly, Boral's financial returns continue to compare well with competitors in like markets across most businesses, and in some businesses

where there was a performance gap it has closed as Boral has outperformed in areas such as cost and price management.

Boral's third objective has been to deliver superior total shareholder returns (TSR) for our shareholders. Despite extraordinarily challenging conditions and Boral's share price deteriorating in recent years as a result of the market driven earnings decline, Boral's TSR from share price appreciation and dividends was around 16% per annum over the nine and a half years since demerger to 31 August 2009. Boral's TSR performance is above average, ranking in the second quartile of ASX 100 companies over the period.

Finally, Boral's fourth and overarching objective is to deliver superior returns in a "sustainable way"; this means in a financial, human resources, environmental and social sense. From a cost, price and capital perspective, Boral is positioned well to deliver strong sustainable returns. Boral's non-financial sustainability measures have continued to improve over time, including safety. In 2008/09, a lost time injury frequency rate for employees of 1.8 was delivered versus 2.5 in the prior year and 9.0 in 1999/00 and 1998/99; contractor safety management has also improved significantly. This improved safety performance was better than our targeted performance improvement; however, it was tragically overshadowed by the death of an employee in Indonesia who was fatally injured in a heavy vehicle accident involving two concrete agitators in November 2008. This employee fatality was a tragic reminder of the risks we need to manage every single day and the importance of continuing to focus our efforts on ensuring a safe workplace for all of Boral's people. Further details about Boral's safety performance and environmental and social impacts can be found in Boral's 2009 Sustainability Report, which forms part of this Annual Review.

### Boral's fifth changing of the guard

After 10 years as Boral's CEO and Managing Director, I will retire at the end of December 2009. I have had a personal goal of wanting to hand the business over in better shape at the end of my tenure than when I started. Over Boral's 63 year history, I believe that my four predecessors have done this.

I am confident that the underlying performance of the business has strengthened considerably over the past decade. This has better positioned Boral to weather the most severe downturn that we have witnessed in our careers. It also means that as markets recover, Boral's financial returns will dramatically lift.

I thank Boral's Management Committee and all of Boral's employees for their hard work, their persistence and their support during my time as CEO. I also thank the Chairman Ken Moss and the whole Board for their support and their invaluable counsel.

It has been a pleasure and a privilege to lead Boral over the last decade. I will hand over the reins to Boral's next CEO in coming months. I wish my successor the very best of success with Boral's future.



Rod Pearce, CEO AND MANAGING DIRECTOR

## Management Committee

### Rod Pearse 1

CEO AND MANAGING DIRECTOR

Biography on p.30.

### John Douglas 2

EXECUTIVE GENERAL MANAGER, AUSTRALIAN CONSTRUCTION MATERIALS

John is 47 and has been in his current position since 2004. He joined Boral in 1995 and has held roles as Regional General Manager of Boral's NSW Construction Materials business, General Manager of NSW Metropolitan Quarries and General Manager, Strategic Planning for Boral's Construction Materials Group. Prior to joining Boral, John held various positions with the Boston Consulting Group, Pioneer Concrete UK, John Mowlem International and Douglas Partners. He holds a civil engineering degree with First Class Honours from the University of Adelaide and an MBA from London Business School.

### Mike Beardsell 3

EXECUTIVE GENERAL MANAGER, CEMENT

Mike is 51 and was appointed Executive General Manager of Cement in April 2009. Mike joined Boral in 2001 and has been National General Manager of Blue Circle Southern Cement since 2004. Before joining Boral, Mike worked as an independent consultant and has held senior roles in Iron Ore Co of Canada, Peak Hill Resources and North Forest Products, Tasmania, where he was the Chief Executive. Mike holds a PhD in industrial forestry operations and a Master of Science.

### Warren Davison 4

EXECUTIVE GENERAL MANAGER, CONSTRUCTION RELATED BUSINESSES

Warren is 56 and was appointed Executive General Manager of Construction Related Businesses in April 2009. Warren joined Boral from Alcan in 1998 as General Manager of Boral Formwork & Scaffolding and became General Manager of Boral's Construction Related Businesses in 2003. Warren came to Boral with a strong background in sales and manufacturing management in Australia and New Zealand. Warren has a Master of Science (Hons) degree and postgraduate business qualifications.

### Nick Clark 5

EXECUTIVE GENERAL MANAGER, CLAY & CONCRETE PRODUCTS

Nick is 46 and was appointed Executive General Manager of Clay & Concrete Products in February 2009. Nick joined Boral as General Manager, Bricks East in 2003. Prior to joining Boral he held a number of positions at Rio Tinto, Pacific Dunlop and Mayne/Toll Logistics including marketing, sales, operational and general management roles. He has a mechanical engineering degree from Melbourne University and an MBA from Harvard Business School.

### Bryan Tisher 6

EXECUTIVE GENERAL MANAGER, TIMBER

Bryan is 46 and was appointed Executive General Manager, Timber in March 2007. Prior to this he was General Manager Corporate Development, a role which he held from 2000-2007, and General Manager, Strategic Planning for Boral's Construction Materials Group from 1998-1999. Prior to joining Boral he held a variety of positions at Rio Tinto (1985-1998) including roles in project finance, engineering design and construction in a variety of locations including Australia, USA, Africa and Indonesia. He holds a civil engineering degree (First Class Honours) from Monash University and an MBA from Harvard Business School.

### Ross Batstone 7

EXECUTIVE GENERAL MANAGER, PLASTERBOARD

Ross is 61 and was Boral's Divisional General Manager, Plasterboard Australia from 1996-2000 before becoming Executive General Manager of the Plasterboard division. He was Boral's Divisional General Manager, Roofing from 1991-1995, Chief Executive Montoro Resources Ltd from 1988-1990 and held various roles at Shell Company of Australia from 1970-1987. He holds chemical engineering and commerce degrees from Queensland University.

### Emery Severin 8

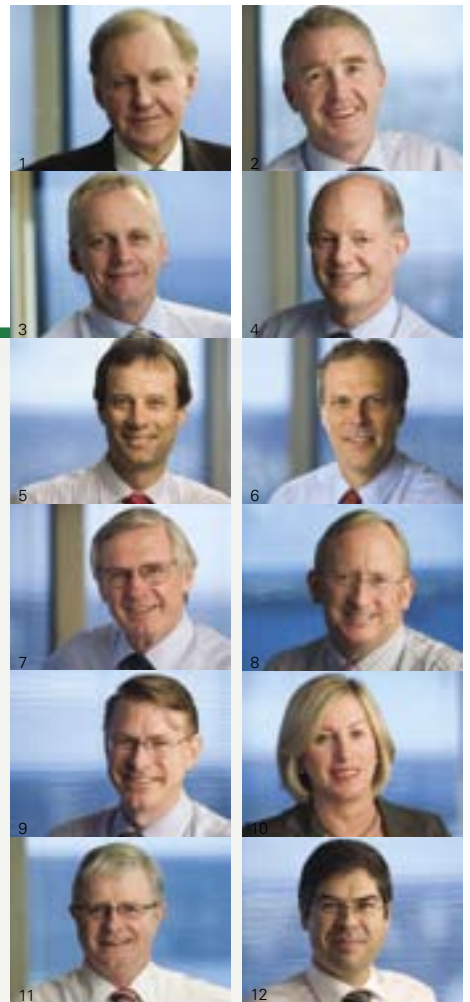
PRESIDENT, BORAL USA

Emery is 53 and was previously Executive General Manager of the Australian Construction Materials division from 1999-2004 before being appointed as President of Boral USA in August 2004. He was National General Manager of Blue Circle Southern Cement from 1998 to 1999. Prior to that he was Regional General Manager of Boral's NSW Construction Materials Group from 1996-1998. Prior to joining Boral he held various management roles at BHP Steel from 1986-1995. Emery has a doctorate of philosophy in physical chemistry from Oxford University and a science degree (First Class Honours) from the University of NSW.

### Ken Barton 9

CHIEF FINANCIAL OFFICER

Ken is 43 and has been Boral's Chief Financial Officer since December 2002. He was previously Vice President and Chief Financial Officer of Boral Industries Inc in the USA from August 2000. Prior to joining Boral, he was Vice President Finance, Pioneer USA from 1997-2000 and prior to that he was a Partner in the Corporate Finance division of Arthur Andersen based in Sydney. Ken has a Bachelor of Economics degree from the University of Sydney and is an Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australia.



### Margaret Taylor 10

GENERAL COUNSEL AND COMPANY SECRETARY

Margaret is 49 and was appointed General Counsel and Company Secretary of Boral Limited in November 2008. Prior to joining Boral, Margaret was Regional Counsel Australia/Asia with BHP Billiton, and prior to that she was a partner with law firm Minter Ellison for many years, specialising in corporate and securities law. Margaret holds law and arts degrees from the University of Queensland.

### Robin Town 11

GENERAL MANAGER, HUMAN RESOURCES

Robin is 57 and has been Boral's General Manager, Human Resources since June 2001. He was previously President of Boral Material Technologies in the USA from 1999-2001 and Regional General Manager of Boral's Construction Materials business in Queensland from 1996-1999. Prior to joining Boral, he worked in the cement industry with Queensland Cement for 23 years. He holds a chemical engineering degree from the University of Queensland.

### Andrew Warburton 12

GENERAL MANAGER, CORPORATE DEVELOPMENT

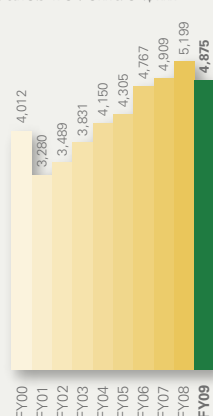
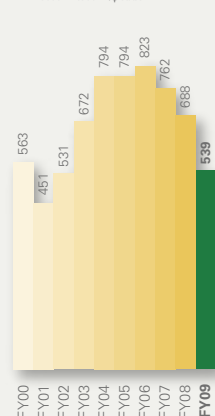
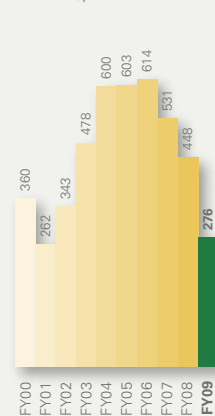
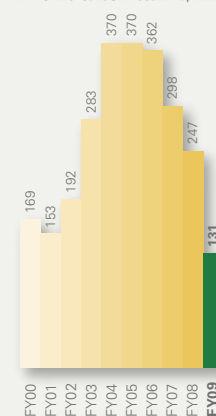
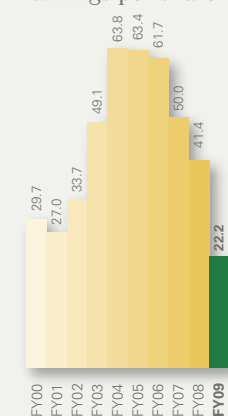
Andrew is 45 and is General Manager, Corporate Development. He was previously National General Manager, Quarry End Use from 2003-2007 and General Manager, Business Development for Australian Construction Materials (2000-2003). Prior to joining Boral, he held marketing, business development and financial positions in the plastics and electronics industries based in Europe and funds management in Australia. Andrew holds an economics degree from the University of Sydney and an MBA from INSEAD.

## Summary of Results

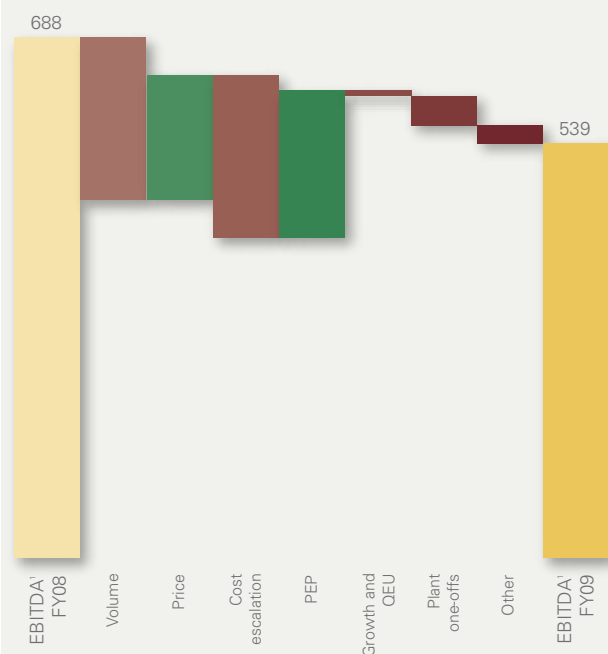
*A\$ million unless stated*

YEAR ENDED 30 JUNE	2009	2008	% change
Revenue	<b>4,875</b>	5,199	(6)
EBITDA <sup>1</sup>	<b>539</b>	688	(22)
EBIT <sup>1</sup>	<b>276</b>	448	(38)
Net interest <sup>1</sup>	<b>(127)</b>	(112)	14
Profit before tax <sup>1</sup>	<b>149</b>	336	(56)
Tax <sup>1</sup>	<b>(17)</b>	(90)	(81)
Minority interest	–	1	–
<b>Underlying profit after tax</b>	<b>131</b>	247	(47)
Net significant items	<b>11</b>	(4)	
<b>Profit after tax</b>	<b>142</b>	243	(42)
Cash flow from operating activities	<b>419</b>	582	(28)
Gross assets	<b>5,491</b>	5,895	(7)
Funds employed	<b>4,268</b>	4,425	(4)
Liabilities	<b>2,738</b>	2,985	(8)
Net debt	<b>1,514</b>	1,515	–
Growth and acquisition capital expenditure	<b>77</b>	327	(76)
Stay-in-business capital expenditure	<b>163</b>	169	(4)
Depreciation	<b>263</b>	240	10
Employees	<b>14,766</b>	15,928	(7)
Sales per employee, \$ million	<b>0.330</b>	0.326	1
Net tangible asset backing, \$ per share	<b>4.12</b>	4.41	(7)
EBITDA margin on sales <sup>1</sup> , %	<b>11.1</b>	13.2	(16)
EBIT margin on sales <sup>1</sup> , %	<b>5.7</b>	8.6	(34)
EBIT return on funds employed <sup>1</sup> , %	<b>6.5</b>	10.1	(36)
Return on equity <sup>1</sup> , %	<b>4.8</b>	8.5	(44)
Gearing			
Net debt/equity, %	<b>55</b>	52	6
Net debt/net debt + equity, %	<b>35</b>	34	4
Interest cover <sup>1</sup> , times	<b>2.2</b>	4.0	(46)
Underlying earnings per share <sup>1</sup> , ¢	<b>22.2</b>	41.4	(46)
Dividend per share, ¢	<b>13.0</b>	34.0	(62)
Safety: (per million hours worked)			
Lost time injury frequency rate	<b>1.8</b>	2.5	(28)
Recordable injury frequency rate	<b>26.1</b>	26.7	(2)

Sales revenue \$m

EBITDA<sup>1</sup> \$mEBIT<sup>1</sup> \$mProfit after tax<sup>1</sup> \$mEarnings per share<sup>1</sup> ¢

## EBITDA variance analysis (\$ million)



### Volume

Substantially lower volumes, which were experienced in all businesses except Asphalt, reduced Boral's EBITDA by around \$215 million in FY2009. The adverse impact of lower volumes was particularly pronounced in the second half of the year.

### Price

Disciplined price management across Boral's businesses has lifted performance through the downturn. Price increases delivered \$165 million of benefits in FY2009, the largest year-on-year price lift in at least 10 years.

### Costs and PEP

Cost savings of \$195 million were delivered from Performance Enhancement Programs (PEP) and other cost reduction initiatives, which was a record 4.5% of compressible costs. Taken together, price and PEP outcomes were \$360 million which substantially exceeded cost escalation of \$215 million (around 5% of compressible costs).

### Growth and QEU

Reflecting the market downturn, there were no benefits delivered from growth initiatives in FY2009 and earnings from Quarry End Use (QEU) activities were down \$7 million on the prior year, as a result of slower property markets.

### Plant one-offs and other

Plant slowdowns and shutdowns cost around \$46 million, of which about half was in the USA. Transitioning costs for the new Plasterboard plant at Pinkenba in Queensland also impacted the result. Other costs included a \$14 million foreign exchange variation on the prior year.

## Announcements to the ASX

### 19 August 2009

Boral announces an after tax profit of \$142 million for the year ended 30 June 2009, a 42% or \$101 million decrease on the reported PAT for the year ended 30 June 2008.

### 27 July 2009

Boral announces that Dr Bob Every has been appointed Deputy Chairman of Boral and that Dr Ken Moss intends to retire as Chairman and from the Board in May 2010, at which time Dr Every will assume Chairmanship of Boral.

### 15 June 2009

Boral announces its response to the ACF/ACJP Report on Corporate Climate Risk Disclosure. Boral strongly refutes the allegations made by the ACF and the ACJP.

### 6 May 2009

Boral announces that it has sold its entire stake in Adelaide Brighton Limited being 107.8 million shares for a price of \$210 million or \$1.95 per share.

### 6 April 2009

The Chairman of Boral, Dr Ken Moss, advises that Boral has commenced an executive search process to consider suitable internal and external candidates to replace Boral's current CEO and Managing Director, Mr Rod Pearse.

### 6 March 2009

Boral announces the resignation of Phil Jobe from Boral and the separation of Boral's Cement division into two operating divisions – Cement and Construction Related Businesses. Mike Beardsell is appointed as EGM of the new Cement division and Warren Davison was appointed as EGM of Construction Related Businesses.

### 11 February 2009

Boral announces a profit after tax of \$75 million for the half year ended 31 December 2008, 44% below the \$132 million for the half year to December 2007.

### 28 January 2009

Boral advises that due to deterioration in market conditions in the USA, Australia and Asia it is revising its full year guidance for its FY2009 result from \$200 million to \$120 profit after tax.

### 19 January 2009

Boral Timber announces it has achieved Chain of Custody certification for its hardwood product range. This achievement builds on the previously awarded Chain of Custody Certification for Boral Plywood and Boral Sawmillers Exports.

### 15 December 2008

Boral announces its initial response to the Federal Government's Carbon Pollution Reduction Scheme White Paper. Boral is pleased that cement is recognised as an EITE industry and will receive transitional assistance but is concerned by the stated conclusion of the safety price cap in 2015.

### 17 November 2008

Boral announces Margaret Taylor has been appointed Company Secretary of Boral Limited following the resignation of Michael Scobie.

### 7 November 2008

Boral announces Mr Nick Clark will replace Keith Mitchelhill as EGM of the Clay & Concrete Products division of Boral.

### 5 September 2008

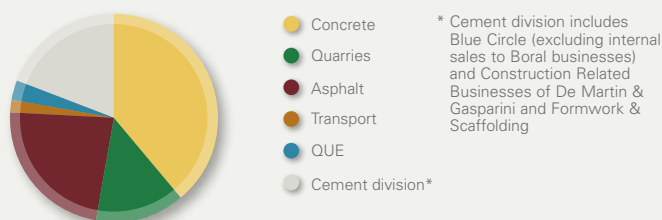
Boral announces that Mr Paul Rayner has been appointed as a non-executive Director of Boral Limited.

Boral announces that Ms Elizabeth Alexander will retire as a non-executive Director of Boral Limited.

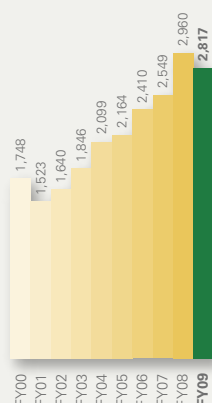
## Summary of Reporting Groups

### Construction Materials, Australia

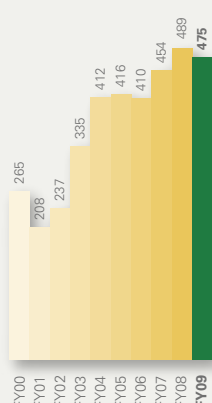
Share of FY2009 external revenue



Revenue, \$m



EBITDA<sup>1</sup>, \$m



Year ended 30 June **2009** 2008 % change

*A\$ million unless stated*

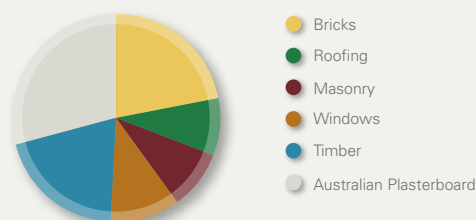
Sales revenue	<b>2,817</b>	2,960	(5)
EBITDA <sup>1</sup>	<b>475</b>	489	(3)
EBIT <sup>1</sup>	<b>330</b>	351	(6)
Capital expenditure <sup>2</sup>	<b>140</b>	180	(23)
Funds employed <sup>2</sup>	<b>2,240</b>	2,310	(3)
EBITDA <sup>1</sup> return on sales, %	<b>16.9</b>	16.5	
EBIT <sup>1</sup> return on sales, %	<b>11.7</b>	11.9	
EBIT <sup>1</sup> return on funds employed, %	<b>14.7</b>	15.2	
Employees, number	<b>5,544</b>	5,798	(4)
Revenue per employee	<b>0.508</b>	0.511	-

#### Performance

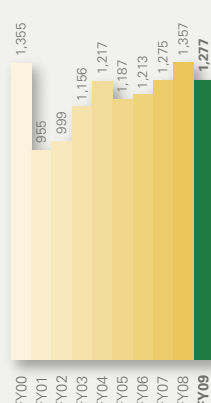
- Revenues down as lower Quarry End Use (QEU) revenues offset increased asphalt volumes (due to strong infrastructure activity) and pricing gains in concrete, quarry, cement and lime.
- Boral's concrete volumes down 12%, reflecting lower dwellings and non-dwellings activity and some temporary market share loss predominantly due to Boral's strong focus on lifting margins through price increases.
- EBIT from QEU of \$47 million versus \$54 million in prior year.
- \$92 million of PEP cost reductions contributing to an EBITDA margin lift to 16.9%.

### Building Products, Australia

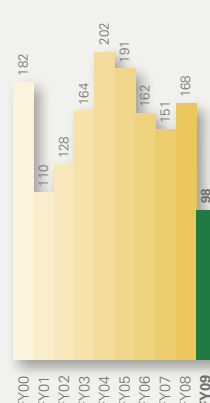
Share of FY2009 external revenue



Revenue, \$m



EBITDA<sup>1</sup>, \$m



Year ended 30 June **2009** 2008 % change

*A\$ million unless stated*

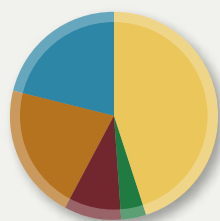
Sales revenue	<b>1,277</b>	1,357	(6)
EBITDA <sup>1</sup>	<b>98</b>	168	(41)
EBIT <sup>1</sup>	<b>40</b>	114	(65)
Capital expenditure <sup>2</sup>	<b>64</b>	125	(48)
Funds employed <sup>2</sup>	<b>1,188</b>	1,178	1
EBITDA <sup>1</sup> return on sales, %	<b>7.7</b>	12.4	
EBIT <sup>1</sup> return on sales, %	<b>3.1</b>	8.4	
EBIT <sup>1</sup> return on funds employed, %	<b>3.4</b>	9.7	
Employees, number	<b>3,814</b>	4,080	(7)
Revenue per employee	<b>0.335</b>	0.333	1

#### Performance

- Revenues steady in the first half but 12% down in the second half due to lower housing related volumes, particularly in Western Australia and Queensland, more than offsetting price increases across all businesses.
- Earnings were significantly lower due to extensive temporary plant slowdowns and shutdowns to run down inventories and to match weaker sales demand.
- Stronger pricing outcomes across all building products and \$38 million of PEP cost reductions were delivered.

## USA

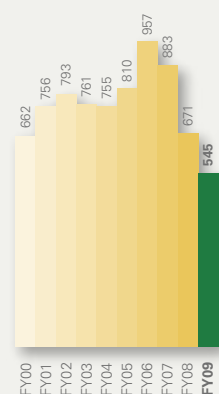
### Share of FY2009 external revenue



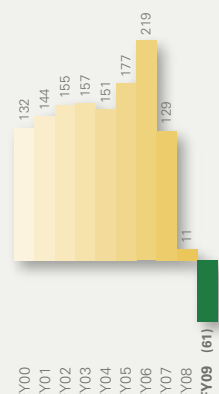
- Bricks
- Clay roof tiles\*
- Concrete roof tiles\*
- Fly ash
- Construction materials

\* MonierLifetile and Trinidad JVs are equity accounted – Boral's share of revenue does not appear in consolidated accounts but is included in the revenue pie chart.

Revenue, \$m



EBITDA<sup>1</sup>, \$m



Year ended 30 June	2009	2008	% change
<i>US\$ million</i>			
Sales revenue	406	607	(33)
EBITDA <sup>1</sup>	(45)	10	(545)
EBIT <sup>1</sup>	(81)	(25)	(230)
<i>A\$ million</i>			
Sales revenue	545	671	(19)
EBITDA <sup>1</sup>	(61)	11	(640)
EBIT <sup>1</sup>	(109)	(27)	(301)
Capital expenditure <sup>2</sup>	27	180	(85)
Funds employed <sup>2</sup>	812	789	3
EBITDA <sup>1</sup> return on sales, %	(11.1)	1.7	
EBIT <sup>1</sup> return on sales, %	(20.0)	(4.0)	
EBIT <sup>1</sup> return on funds employed, %	(13.4)	(3.4)	
Employees, number	1,592	2,208	(28)
Revenue per employee	0.342	0.304	13

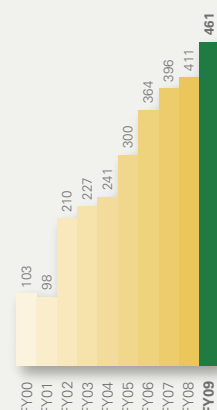
### Performance

- 33% revenues decline and earnings loss reflects unprecedented fall in US market; housing starts down 42% to around 650,000 versus 1.13 million starts in FY2008.
- US\$39 million of PEP cost reductions plus US\$10 million from MonierLifetile (50% share). Full-time equivalent employees down 28% or 616 people.
- Average capacity utilisation of 30% in bricks and 16% in concrete roof tiles in FY2009, to match record low sales demand and manage inventory.
- Prices held despite collapse in market volumes.

## Asia

Includes Boral's Asian plasterboard joint venture with Lafarge<sup>3</sup>, LGBA, and Boral's Indonesian and Thailand construction materials businesses.

Revenue, \$m



EBIT<sup>1</sup>, \$m



Year ended 30 June	2009	2008	% change
<i>A\$ million unless stated</i>			
Sales revenue	219	191	15
EBITDA <sup>1</sup>	30	16	87
EBIT <sup>1</sup>	19	7	189
Funds employed	297	285	
Return on funds employed, %	6.4	2.3	

### Performance

- Improved Construction Materials earnings offset weaker earnings from LGBA.
- In Indonesia, improved concrete prices restored margins despite volumes down 8%, and in Thailand, margins and profits improved due to significant operational improvements and lower costs despite concrete prices down 5% and volumes down 21%.
- Plasterboard sales volumes down 6% due to global recession impacting from December 2008 quarter, but stronger pricing and cost reductions offset lower volume impacts in the June half.
- New plasterboard plants commissioned in Chengdu (central west of China) and Rajasthan (India) in FY2009 and investments underway in Baoshan (China) and Saraburi (Thailand).

<sup>1</sup> Excluding significant items; FY05 results onwards restated to reflect transition to A-IFRS accounting standards.

<sup>2</sup> Capital expenditure and funds employed include acquisitions.

<sup>3</sup> Boral's profits from the Asian Plasterboard joint venture, LGBA, are equity accounted and are after financing and tax. Boral's share of revenue from LGBA does not appear in Boral's consolidated accounts; however, Boral's share of LGBA revenue is included in the revenue bar chart for Asia from FY01 onwards.

## Review of Operating Divisions

# Australian Construction Materials



John Douglas

**Australian Construction Materials (ACM) produced solid profit and cash flow outcomes in challenging economic conditions. This performance was achieved by leveraging our national integrated positions and capabilities in supplying product and contracting services to the large scale infrastructure projects around Australia while at the same time ensuring appropriate pricing outcomes and closely managing costs, working capital and capital expenditure.**

In 2008/09, revenue from ACM (excluding Quarry End Use) held steady on the prior year. Performance was underpinned by strong infrastructure activity, effective price management and disciplined cost reduction programs. Ongoing engineering construction projects, supported by government stimulus expenditure late in the year, partially offset significant weakness in residential and non-dwelling sectors. Solid underlying profitability combined with focused working capital management and reduced capital spending generated strong cash flow.

Boral's involvement in large government-funded infrastructure projects during the year, many of which are ongoing, included the Ipswich Motorway and the Gateway Bridge in Queensland, the Ballina Bypass and the F3 widening in New South Wales, the Deer Park Bypass in Victoria and the Perth to Bunbury Highway in Western Australia. Other privately-funded or public-private partnership projects include the Airport Link and the North-South Bypass Tunnel toll road in Queensland, the Cadia Gold Mine

The Australian Construction Materials (ACM) division employs around 4,230 employees and 2,600 contractors in quarry, concrete, asphalt, transport and land development activities throughout Australia. With around 400 operating sites, ACM has a regional focus to serve Boral's local markets.

### Quarries

Boral has leading quarry resource positions close to market and is Australia's leading quarry operator with around 100 quarries, sand pits and gravel operations producing products such as concrete aggregates, crushed rock, asphalt and sealing aggregates, road base materials, sands and gravels.

### Concrete

The network of around 250 premix concrete plants produces a wide range of mixes in metropolitan and country areas.

### Asphalt

Boral is a national supplier of asphalt with around 50 plants producing asphalt and other materials for the surfacing and maintenance of road networks.

development in New South Wales, the Prominent ZHill Copper and Gold Mine in South Australia and the Boddington Gold Mine in Western Australia. Our integrated national Quarry, Concrete and Asphalt networks position us well in the supply of product and in contracting to these major infrastructure developments.

Revenues from the combined Concrete and Quarries businesses of \$1.4 billion were 5% below last year and EBITDA was marginally lower. Concrete volumes were down 12% due to the drop-off in residential and non-dwelling activity and Quarry volumes were 7% lower with lower concrete pull-through volumes partly offset by higher asphalt pull-through and from our participation in infrastructure projects. The impact of concrete and quarry volume declines and increased costs were largely offset by strong pricing outcomes, effective cost reduction programs and improved production efficiencies. Prices increased by 7% for delivered concrete and by 5% for quarry products.

Asphalt performed strongly during the year, achieving an 11% lift in revenue. The solid result was driven by infrastructure activity such as the Gateway Bridge project in Brisbane and the Sturt Highway upgrade in South Australia. Margins remained robust due to strong pricing and cost management outcomes.

Boral's Quarry End Use (QEU) business contributed \$47 million of EBIT compared with \$54 million in the prior year. QEU earnings came from George's Fair (Moorebank), the Southern Employment Lands (Greystanes), the sale and leaseback of eight sites and from the Deer Park Western Landfill operation.

For ACM's safety and environmental outcomes for 2008/09 refer to page s30 of Boral's 2009 Sustainability Report.

### Outlook

Despite the Federal Government stimulus funding, softening infrastructure activity and the continuing decline in non-dwelling activity will offset an expected improvement in residential activity in 2009/10. Cost reduction programs will remain a key focus as activity reduces from the high levels of recent years. Concrete and quarry price increases that were announced effective 1 April 2009 will continue to flow through in 2009/10. QEU forecast earnings of around \$25-30 million but will be weighted less heavily to the second half than in previous years.

John Douglas, EXECUTIVE GENERAL MANAGER

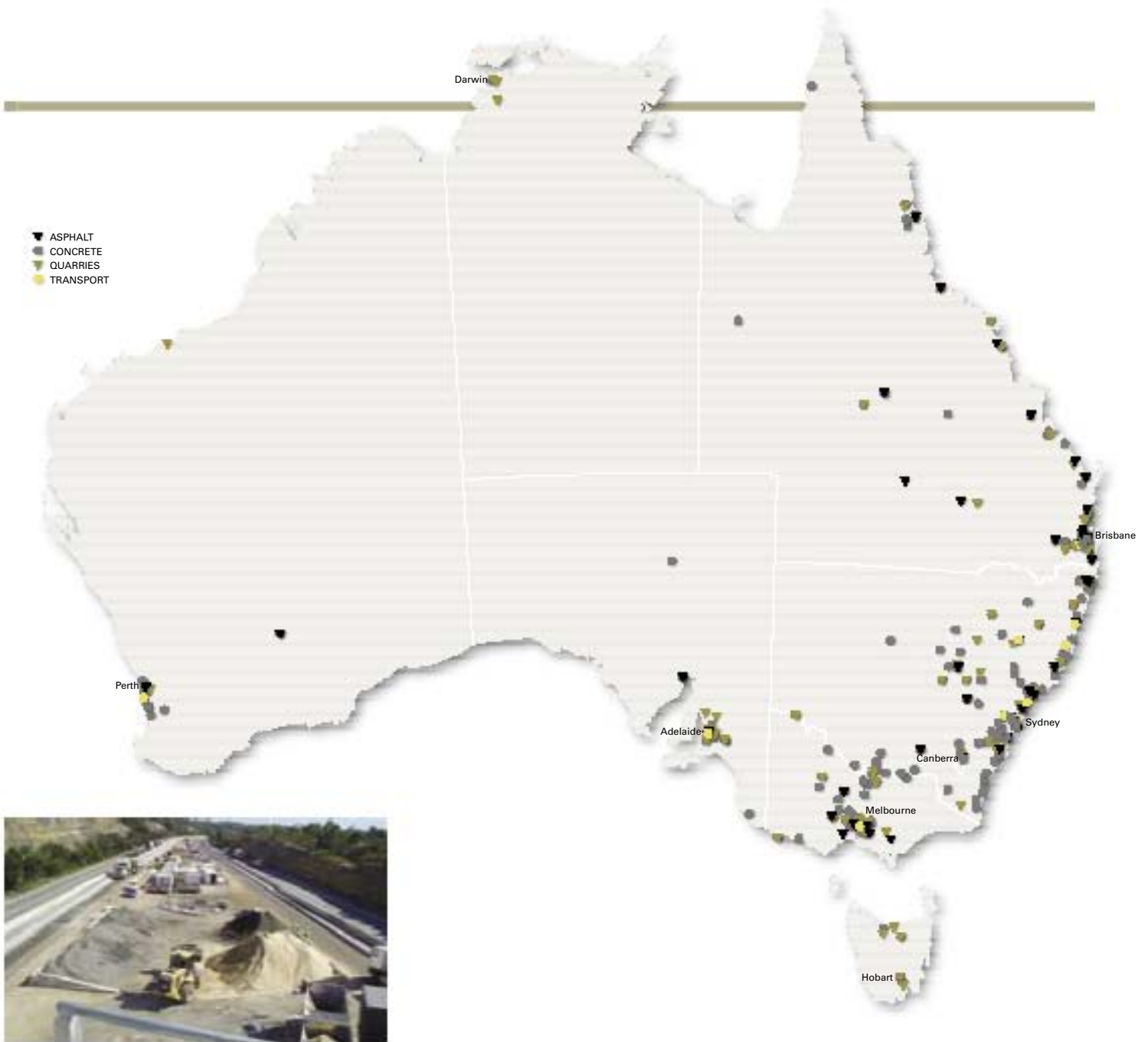
### Transport

The company-owned fleet totals around 350 vehicles providing bulk transport and logistics solutions to the construction materials businesses, other Boral divisions and to selected external freight markets where it supports our internal business. Boral Transport manages approximately a further 500 contracted vehicles and drivers.

### Quarry End Use

QEU focuses on realising appropriate end uses for quarry properties and other Boral land assets that are nearing the end of their economic life. Current major QEU activities include development of the Greystanes Estate and the Moorebank brick plant redevelopment in Sydney and a 40% share in the Penrith Lakes Development Scheme. Boral's Western Landfill operation at Deer Park in Victoria is also a part of the QEU business.





Large scale infrastructure projects have been a key source of revenue for ACM. ACM has significant capacity and capability to meet the demands of such projects due to our strong contracting and production capabilities and resource position nationally. This segment is forecast to soften but will remain at strong levels, partly funded by Federal Government stimulus spending. Amongst a range of projects, Boral is currently supplying the F3 widening in NSW (pictured).

ACM's Asphalt business has gone from strength to strength in recent years, building on our comprehensive national presence, our solid track record working with Australia's major contracting companies and our quality production and contracting capabilities. Our significant investment in production facilities and capability in recent years in all our state operations has enabled our Asphalt business to meet the current high level of infrastructure activity.

Cost reduction programs have been implemented in all ACM businesses and are vital to maintaining profitability in the face of challenging market conditions. Particular focus has been on reducing spend on labour hire, logistics and administration costs, as well as improving concrete and asphalt mix designs, rationalising transport depots and improving quarry yields. These programs have been very successful to date and will continue to underpin profitability going forward.

The rebuilding of Boral's Artarmon concrete plant has commenced, involving investment of around \$12 million. The Artarmon plant is strategically positioned to supply Sydney, North Sydney and Chatswood CBDs and is expected to be completed in the June 2010 quarter. The new plant is positioned well for Sydney's future Barangaroo development and has been designed with improved truck access as well as increased capacity and storage.



## Cement



Mike Beardsell

**Typically, around 40% of cement demand is driven by the housing sector, 35% by infrastructure and 25% by non-dwelling construction activity. For Boral's Blue Circle Southern Cement (BCSC) business we are disproportionately exposed to East Coast markets, particularly New South Wales, because of our large cement manufacturing assets at Berrima in New South Wales and Waurin Ponds in Victoria. The immediate focus of the Cement division is to realign our cost base and supply network with reduced market demand while maintaining capability to respond quickly to improving market conditions.**

During the year, Cement volumes were down 9% on last year, with strong sales to the Hume Highway upgrade projects moderating the impact of weakening demand from the premixed concrete industry, particularly in the second half of the year. Average cement prices increased by 7% as suppliers sought to recover soaring input costs at the peak of the resources boom.

The Cement division operates across 13 operating sites in Australia and 95 in Asia, and employs approximately 4,200 people (including 3,460 in Asia)

### Blue Circle Southern Cement (BCSC)

Blue Circle has 13 operating and four distribution sites. Major operations are in the Southern Highlands of NSW at Berrima where the dry process cement capacity is 1.4 million tonnes p.a. At Maldon, up to 300k tonnes p.a. of off-white and grey cement can be produced and there is a bagging and dry mix facility. BCSC markets fly ash acquired from power stations in NSW and has a 50% shareholding in Fly Ash Australia. In Victoria, at Waurin Ponds near Geelong, the dry process kiln has a capacity of 800k tonnes p.a. BCSC also has a 50% interest in Sunstate Cement which operates a cement milling facility in Brisbane.

BCSC is a large producer of limestone for both internal and external customers from our substantial reserves at Marulan and at Galong in NSW. Lime is produced at Marulan and at Galong.

Lime volumes fell by 29% as demand from the steel industry contracted but continuing focus on pricing delivered a 12% improvement year-on-year. In mid January 2009, production at the quicklime facility at Galong in New South Wales was temporarily suspended due to reduced demand from the steel sector.

EBITDA from BCSC was weaker, with reduced volumes and a steep rise in energy and imported clinker costs (to supply Sunstate) adversely impacting the result.

In Asia, despite the global economic downturn impacting from the September 2008 quarter and the unstable market environment in Thailand dampening overall construction activity, Boral's construction materials results in Asia improved significantly for the period. Concrete volumes in Indonesia fell by 8%; however, margins recovered on the back of rigorous cost control and a significant improvement in concrete prices. Market share leadership was maintained in Indonesia. In Thailand, concrete prices were down 5% and volumes were down 21% in challenging markets but a shift in focus from growth to cost reduction delivered a substantial improvement in gross margins.

For Cement's safety and environmental outcomes for 2008/09 refer to page s32 of Boral's 2009 Sustainability Report.

### Outlook

Activity in Australia is expected to decline in 2009/10 due to the decline in non-dwellings and softening in infrastructure activity which will more than offset the benefits from slightly stronger dwellings activity and improved pricing. Our pricing focus in the first half of 2009/10 will be to gain full traction from previously announced price increases. Cement price increases that were announced effective 1 April 2009 are continuing to be realised. A significant step change program is underway in BCSC with the diagnostic phase completed in July 2009. Early indications are targeting a 10% compressible cost reduction over 2009/10 and 2010/11.

In Construction Materials in Asia we expect some volume and earnings pressures.

Mike Beardsell, EXECUTIVE GENERAL MANAGER

### Indonesian Construction Materials

PT Jaya Readymix is the largest producer of premixed concrete in Indonesia, operating on 41 sites, predominantly located on the main island of Java. Its hard rock quarries produce aggregates for the Jakarta market. The business is expanding its concrete pipe and precast panels business.

### Boral Thailand Concrete & Quarries

Boral's Thailand concrete and quarry business operates around 54 concrete batch plants and quarries throughout the country.



In January 2009, production at Boral's quicklime facility at Galong in New South Wales was temporarily suspended due to reduced demand from the steel sector. Galong lime production will recommence when a sustainable lift in demand is expected.

Preparing for Australia's impending emissions trading scheme or Carbon Pollution Reduction Scheme (CPRS) has been a key priority for BCSC. We continue to engage with Government to minimise the impact on our import competitiveness, until such time as there is a global response, and to reduce incentives to manufacture overseas, which will simply result in "carbon leakage" and have no overall environmental benefit.

During the year, a significant operational improvement program was implemented in Thailand construction materials, which included a focus on improving the culture and employee morale. Despite volume pressures a solid turnaround in performance was delivered from the Asia construction materials businesses in Thailand and Indonesia.

The \$85 million upgrade of Sunstate Cement's capacity in Queensland from 1.0 million to 1.5 million tonnes per annum has been completed. The expanded clinker storage was completed in the September 2008 quarter and the increased grinding capacity was completed in the June 2009 quarter. Sunstate is well positioned to meet Queensland's growing cement demand as markets recover.



## Review of Operating Divisions

# Construction Related Businesses



Warren Davison

**Construction Related Businesses (CRB) is exposed to Australia's housing and commercial construction markets, which were down around 18% and 25%, respectively. New South Wales and Queensland markets which collectively account for around two-thirds of CRB's revenues were approximately 17% lower. With the decline in demand, dramatic cost reductions have been required to minimise the impact on profitability. Employee numbers were reduced by 15% but we have been careful to preserve capability for the housing upturn that is beginning to emerge.**

Revenues from Dowell Windows were down 12% on last year to \$140 million, with weakness in all states except Victoria which was steady. The sales contraction was most severe in Queensland and New South Wales where aggressive cost reduction actions were taken. Despite cost reductions EBITDA was lower.

Formwork & Scaffolding experienced weaker volumes with revenues down on the prior year. Despite lower revenues, EBITDA lifted as benefits were delivered from the national branch

rationalisation project which was completed in July 2008 and resulted in branch numbers being halved. While hire stock utilisation was strong in the first half, the weakening commercial sector saw demand decline in the second half. Both prices and utilisation were down on the previous year. The formwork business contributed to the EBITDA improvement as further investment was made in the formwork product range targeting civil and infrastructure projects.

Boral Precast reported lower revenues and a lower EBITDA. The new automated precast plant commissioned in May/June 2008 performed to expectation, meeting all business case metrics and delivering a low cost position in the Perth market. On the East Coast, a new entrant with an automated plant in Sydney changed the dynamics of that market with Giroto moving more towards multistorey construction away from the traditional industrial sector. Strong cost reduction initiatives have been undertaken with a 35% reduction in employee numbers.

De Martin & Gasparini (DMG) reported lower sales and reduced EBITDA. Sydney concrete volumes reduced and projects were increasingly more competitively bid as funding constraints saw projects either deferred or cancelled. DMG's main project at Top Ryde Shopping Centre with Bovis Lend Lease is now progressing after initial construction delays.

For Construction Related Businesses' safety and environmental outcomes for 2008/09 refer to page s32 of Boral's 2009 Sustainability Report.

### Outlook

We anticipate that the Australian housing market will improve during 2009/10, more so in the second half of the year. The non-residential construction market is expected to weaken further with effective price and cost management critical to offsetting the decline.

Warren Davison, EXECUTIVE GENERAL MANAGER

The division operates across 31 operating sites in Australia and employs approximately 1,300 people and 500 subcontractors.

### Boral Formwork & Scaffolding (BFS)

Boral is a leader in the hire and sale of formwork and scaffolding, providing engineering expertise to the construction industry. BFS has 16 depots around Australia with an increasing focus on new formwork products.

### De Martin & Gasparini (DMG)

DMG is a specialist concrete placing business which has been servicing Sydney's construction industry for over 50 years. DMG has built its expertise in large pours, detailed formwork design and high strength concrete.

### Dowell Windows

Boral's window businesses operate under various brand names, the largest of which is Dowell Windows. Dowell Windows is the leading supplier of aluminium windows and doors in the Australian housing market. The business operates nationally through 14 window fabrication businesses focusing on supplying the residential builder market.

### Boral Precast

Trading under the Giroto and GoCrete brands, Boral Precast operates five plants around Australia, supplying the precast walling and flooring markets in East Coast capital cities and recently commissioned an automated precast plant in the Perth market.



Dowell Windows has released an upgraded window range as part of a national product standardisation program. In colder climates such as Victoria, double glazed products have grown with increasing regulatory requirements as part of the House Energy Rating Schemes (HERS). Dowell is further developing its range to meet evolving building codes expected to require a 6 star HERS level from May 2011 and some builders already designing 7-star homes.

Boral Formwork & Scaffolding works closely with Boral Precast and De Martin & Gasparini to tackle a range of challenging projects. The use of systems formwork is increasingly being used to compress construction times.

De Martin & Gasparini is building concrete structures for a range of leading builders in the Sydney market. Major contracts currently underway include the Top Ryde Shopping Centre with Bovis Lend Lease and the new office block being built at No. 1 Bligh Street by Grocon. Less cement-intensive concrete supplied by Boral's Concrete business is helping to achieve a 6-star energy rating for the building.

During the year Boral's new automated precast plant became fully operational supplying wall and flooring elements to the Perth market. The Australian precast market is continuing to evolve from initial penetration in industrial buildings to more recent activity in single dwelling homes. Builders see reduced construction time and lower costs as benefits of precast construction.



## Review of Operating Divisions

# Clay & Concrete Products



Nick Clark

**Demand for Clay & Concrete Products is primarily driven by dwelling construction, particularly detached housing. Australian dwelling starts were around 130,000 in 2008/09, 18% below the prior year, and well below underlying demand. Our major challenge is managing high fixed cost businesses during a period of low demand and rising costs. We continue to use plant shutdowns and slowdowns to reduce inventory and match production to sales volumes. Performance enhancement programs and price management have been critical in offsetting higher costs in a lower volume environment.**

Revenues from Clay & Concrete Products were down 7% on the prior year, driven by lower volumes across all states except Victoria. Earnings were also down on the prior year.

Brick volumes were down 14% nationally, reflecting lower activity in Western Australia, New South Wales and Queensland, and the entry of a new competitor into the Western Australian brick market. Roof tile volumes were down 1%, driven by declines in New South Wales partially offset by growth in Victoria. Masonry volumes were down

15% with volume declines experienced in all states. Market shares were broadly stable throughout the year, with the exception of the Western Australian brick market where share declined slightly.

Pricing outcomes were positive across all businesses. Average prices improved by around 4% in Bricks and around 3% in Roof Tiles. Prices lifted by around 10% in Masonry, due to strong price improvements and a shift in the mix of products sold.

A series of plant slowdowns and/or extended temporary shutdowns continued across the business. Capacity utilisation of brick plants was approximately 70-75%, while plant utilisation in both Roof Tiles and Masonry was below 60%. In Western Australia, Midland Brick's Kiln 4 was permanently shut during the year and Kiln 8 was mothballed until demand recovers. Production at the Kempsey brick plant in northern New South Wales was suspended in July 2009 due to the downturn in New South Wales and Queensland.

Major business improvement programs continued to deliver in line with expectations in the East Coast Bricks, Roofing and Masonry businesses. The merging of management and administration functions in East Coast Bricks and Roofing businesses will generate annual savings of \$4 million from 2009/10 onwards. A business improvement program has commenced at Midland Brick with benefits expected from 2009/10 onwards.

For Clay & Concrete Products' safety and environmental outcomes for 2008/09 refer to page s34 of Boral's 2009 Sustainability Report.

### Outlook

Our plants are currently set to supply housing starts of around 120,000 per annum but production levels will lift to match sales increases as government stimulus initiatives and improved affordability underpins a lift in demand. Earnings are expected to improve in 2009/10 as volumes improve. Effective price and cost management will be critical to realising improved earnings.

Nick Clark, EXECUTIVE GENERAL MANAGER

Clay & Concrete Products has 45 Australian locations including 23 operating sites, and employs around 1,750 people and over 800 contractors. The products are sold in Australia, New Zealand and Asia.

### Bricks

Boral is Australia's second largest producer of clay bricks and pavers. Boral also exports a small proportion of clay products to New Zealand, Japan and, increasingly, other Asian countries.

Bricks East comprises seven brick manufacturing sites in Victoria, New South Wales and Queensland.

Bricks West includes Midland Brick which is the largest clay brick manufacturer on one site in the world. Midland was established in 1945 and acquired by Boral in 1990.

### Roofing

As Australia's second largest roof tile supplier, Boral competes in both the supply-only and supply-and-fix market segments. Boral operates four concrete roof tile plants in the cities of Brisbane, Sydney, Melbourne and Adelaide and one clay roof tile plant at Wyee, on the New South Wales Central Coast.

### Masonry

Boral is the second largest manufacturer of concrete masonry products in Australia with manufacturing sites in five states. We are a recognised leader in the paving, landscaping and retaining wall segments and have an industry-leading range of products.



Construction of a new \$44 million concrete masonry plant at Middle Swan, Western Australia, which commenced in the September quarter, is continuing. The new plant will replace ageing plant at Cannington and Jandakot, remove existing capacity constraints and facilitate exit from the current production sites, releasing them for redevelopment. The new plant will manufacture a range of walling and landscaping products at lower costs and with improved environmental and safety outcomes.

A new automated deacker is being installed at the Badgerys Creek (NSW) brick plant. This will reduce costs, reduce packaging and provide transport efficiencies. In addition to production efficiency improvements, new brick products and marketing initiatives are underway. Boral is working with industry bodies to promote product penetration and develop brick and block laying apprentices.

Boral Masonry's product range spans four product groups: blocks and bricks in the commercial product sector and retaining walls and pavers in the landscape product sector. Boral Masonry has won the large commercial contract to supply retaining walls for Stage 1 of the Southern City Freight Line, a dedicated single freight line along the corridor of the main south train line in Sydney.

New product development continues to underpin market shares and price growth. Recent product development includes lightweight masonry blocks, Contour roof tiles and clay facing tiles. In June, Boral launched its 2009 residential design award program for architects, building designers and students. Originally started in C&C, the Boral Design Award now focuses on incorporating the range of Boral products in innovative, sustainable residential designs.



## Review of Operating Divisions

# Timber



Bryan Tisher

**Boral's Timber business is largely New South Wales-based, with sales predominantly into East Coast markets. Earnings from the Timber division are largely underpinned by new dwelling construction and alterations and additions as well as commercial projects and some infrastructure work. Activity in Timber's two largest state markets, New South Wales and Queensland, was down significantly during the year, with new dwelling approvals down 26% and 37%, respectively. A comprehensive program of plant shutdowns and slowdowns has been implemented to reduce inventory with lower sales volumes.**

Sales revenue from the Timber division of \$256 million was 6% lower than last year, reflecting significantly reduced sales revenue in the June half. Reduced housing construction activity, particularly in New South Wales and Queensland, together with a significant decline in demand from commercial, mining and industrial segments, caused domestic sales volumes to

be down 11% for the year and down 18% in the second half. Export residue sales volumes were similar to the prior year.

To adjust to reduced levels of demand, production curtailment initiatives were undertaken during the year with the mothballing of the Walcha sawmill and the closure of the Grafton parquetry operation in the first half of the year. Production was reduced at most other facilities, particularly in the second half of the year. Production curtailment strategies, including plant slowdowns and mothballing and reduced capital expenditure, resulted in lower inventories and improved cash flow compared to last year.

Product price gains of around 4% partially offset a significant increase in log costs and increased energy costs. Consolidation of Boral Timber's Brisbane warehouse network into one location together with step change operational improvements in Hardwood, Plywood and Engineered Flooring operations is delivering benefits and resulted in a 15% reduction in the workforce in the Timber business in 2008/09. Despite a strong focus on cost reduction during the year, lower production volumes than sales, cost increases and restructuring costs resulted in a reduced EBITDA.

For Timber's safety and environmental outcomes for 2008/09 refer to page s36 of Boral's 2009 Sustainability Report.

### Outlook

Boral Timber's results in 2009/10 should improve through a full year's benefit of the operational improvement programs commenced in 2008/09, further restructuring of the fixed cost base and strengthening housing markets in New South Wales and Queensland. Production restraint should help to reduce inventories and generate increased cash flow in the year.

Bryan Tisher, EXECUTIVE GENERAL MANAGER

The Timber division employs around 680 people in its hardwood, softwood and plywood operations, located on the East Coast of Australia. Timber operates 17 manufacturing sites and five distribution outlets. Products are sold into the structural, commercial and renovation markets and are distributed across domestic and export markets.

### Hardwood

Boral's hardwood business operates 15 manufacturing facilities in New South Wales and distributes product to domestic and export markets. The business has a strong position in both structural and flooring markets. Through Sawmillers Exports Pty Ltd (SEPL), Boral exports small quantities of woodchips processed from sawmill waste, forest residues and plantation stock from the hardwood operations in northern New South Wales.

### Softwood

Softwood's single manufacturing facility is located at Oberon in New South Wales and operates through a joint venture with Carter Holt Harvey. The mill has a capacity of around 725,000 m<sup>3</sup> per annum. Softwood products are primarily sold in East Coast markets.

### Plywood

Boral is Australia's leading plywood producer and operates one large plywood operation at Ipswich in Queensland. Products are sold in all major Australian markets.





Boral Plywood produces a range of structural, cladding, premierwood, flooring, formply and marine plywood products. Boral Plywood has won the supply of its EzyShield noise barrier product to the Monash Freeway in Melbourne.

In 2009, Boral Timber achieved Chain of Custody certification for all its timber products. This achievement builds on the earlier Chain of Custody Certification for Boral Plywood and Boral Sawmillers Exports. Chain of Custody certification (AS4707 – 2006) confirms that Boral hardwoods and softwoods are sourced legally and sustainably from managed certified sources and the company can prove traceability of its wood materials from the forest through to the sale of its products.

Boral Plywood's new modular Bridgewood system allows a dramatic reduction in the installation time for regional hardwood bridges. It is a cost-effective way to replace rural hardwood bridges with minimum disruption to regional traffic flows. This new product is creating considerable interest from local councils.

Boral Timber is the first Australian company to install the latest European scanning technology to grade Australian hardwoods. The new scanner which has been trialled at Boral's Kyogle mill, is able to automatically detect defects in Australian hardwoods which reduces costs and waste.



## Plasterboard



Ross Batstone

**During the year, we completed the transition to our new plasterboard plant and logistics centre in the Brisbane suburb of Pinkenba. This low operating cost facility also has superb sustainability features and provides a great platform for growth. We are focused on ensuring our costs elsewhere in the business continue to be carefully managed and that we create sales through the development of new products and lightweight building systems employing plasterboard.**

Australian Bureau of Statistics data shows that Australian plasterboard production was steady year-on-year, at around 153 million square metres. Markets were resilient in Victoria and South Australia, weaker in Queensland and Western Australia, and new dwelling construction in New South Wales remained depressed. Australian sales revenue was down 1% to \$371 million, despite a 3% lift in average selling prices. This reflected weaker sales volumes of plasterboard, cornice and jointing compounds which we manufacture and weaker sales of non-manufactured products bought for resale through our extensive network of company owned and operated specialised trade stores.

With around 680 employees, the Plasterboard division is an integrated plasterboard manufacturing, distribution and installation business with 53 company-owned distribution and operating sites around Australia.

### Australia

Boral specialises in the manufacture, distribution and installation of plasterboard-based wall and ceiling lining systems and aims to be Australia's leading supplier of wall and ceiling lining solutions. We have plasterboard manufacturing plants in Queensland, New South Wales and Victoria, a specialty plasters and jointing compounds plant in Victoria, cornice plants in New South Wales and Victoria, an integrated national network of 48 specialist trade centres and Australia's largest residential wall and ceiling installation service. Boral is a 50% shareholder in Gypsum Resources Australia (GRA) and in Rondo Building Systems, the leading metal products supplier for wall and ceiling lining systems.

Australian EBITDA was well down in the year despite only marginally weaker revenues. One-off costs associated with the transition from our Brisbane plant in Northgate to our new plasterboard plant at Pinkenba and its subsequent work-up to full operational performance contributed to the weaker EBITDA. Price increases and cost reductions largely offset cost inflation.

Markets in Asia have been impacted by the global economic recession but we remain very happy with our position and the ability of our Asian Plasterboard JV business, LBGA, to successfully manage operating margins whilst delivering key growth investments. Boral's equity accounted after tax profit of \$13 million from LBGA was 26% below the same period last year. Sales volumes were down around 6% after the benefit of strong volumes in the September 2008 quarter was offset by weaker outcomes in the December 2008 and March 2009 quarters. Promisingly, sales volumes recovered in the June 2009 quarter and margins also strengthened in the second half as cost pressures dissipated and an aggressive cost reduction program was implemented.

During the year, new plants were commissioned in Chengdu (central west of China) and in Rajasthan (India). LBGA also announced construction of a new plant at Baoshan in China and gained FOI approval in Thailand to substantially lift capacity at its existing plant at Saraburi, near Bangkok.

For Plasterboard's safety and environmental outcomes for 2008/09 refer to page s38 of Boral's 2009 Sustainability Report.

### Outlook

An uplift in new house construction buoyed by improvements in affordability and government stimulus spend is expected to favourably impact on future demand, particularly in Queensland and New South Wales. A recovery in non-residential markets looks further off, given continuing financing constraints. Market conditions in Korea, Thailand and Indonesia are expected to remain exposed to the global economic recession and associated shortage of project finance over the next year, despite stimulus programs initiated by several governments, notably China. However, strong underlying plasterboard demand is expected to underpin longer-term Asian returns.

Ross Batstone, EXECUTIVE GENERAL MANAGER

### Asia Joint Venture

Boral has a 50% shareholding of the Lafarge Boral Gypsum Asia (LBGA) JV, the leading multi-country plasterboard producer in Asia (outside Japan). Around one in every four square metres of plasterboard sold in this region comes from LBGA. The JV has 373 million m<sup>2</sup> of plasterboard capacity, specialist ceiling tile plants, a metal roll forming mill and production capacity for jointing compounds and industrial plasters, all feeding established distribution networks. Boral and Lafarge intend that LBGA continues to profitably grow its leadership position across Asia in a manner which substantially increases markets for plasterboard systems and associated products and delivers value.



LBGA is investing a total of US\$48 million to purchase land and to construct a new plant at the Baoshan Industrial Zone in Shanghai, China. The new plant is expected to be in operation in the December 2009 quarter. Plasterboard production capacity will be 34 million m<sup>2</sup> p.a. initially with site flexibility to increase capacity in the future. The additional plant will strengthen LBGA's leading position in East China and position the business well to supply the growing market.

Our new "state of the art" plant at Pinkenba in Brisbane was completed in May 2008 and production at the Northgate plant ceased in September 2008. The new 40 million m<sup>2</sup> p.a. plant, Australia's largest plasterboard facility, is largely achieving efficiency goals, with key sustainability benefits. Natural gas used per tonne of plaster is more than 30% below that of our other plants and around 50% of water used to manufacture plasterboard was rain water harvested on site.

We continue to focus on the development and release of new plasterboard products and accessories and lightweight building systems which, in the period, included BoxCote™; IntRwall™, an upgrade to our industry leading EurekaWall™ inter-tenancy system; systems for education and bushfire prone areas; ENVIRO™Plasterboard which is certified by GECA (Good Environmental Choice Australia); and Echostop® ceiling boards.

Plasterboard has significantly invested in an integrated approach to talent management and development, and was a winner in the Western Sydney 2009 Suncorp Awards for Business Excellence. National training development programs, involving over half our employees annually, include – "BEST" sales excellence, frontline distribution and manufacturing "cert III", BWell and "BILT" plastering traineeships. Sustained high levels of employee engagement and satisfaction, despite the economic downturn, has resulted.



## Review of Operating Divisions

## USA



Emery Severin

**Boral's US business continued to experience the most challenging market conditions since Boral began trading in the US some 30 years ago. Housing market demand is down around 75% from the 2006 peak. We have dramatically reduced our workforce, mothballed plants and optimised plant networks. We have continued to reduce overheads and other fixed costs to minimise the impacts of the downturn, and importantly, processes have been put in place to ensure that the cost reductions and disciplines are maintained when the market recovers so that we emerge a stronger and leaner business.**

In the USA, revenue was down 33% to US\$406 million and EBITDA decreased by US\$55 million on the prior year to a US\$45 million loss. The result was driven by the continued deterioration in housing activity, with US housing starts down by 42% to around 650,000. The non-housing sectors also declined during the year, impacting construction materials businesses. Cost reduction initiatives, including network optimisation aimed at reducing fixed costs, were implemented across all businesses and delivered US\$49 million in benefits during the year.

Revenue from Bricks was down by 42% to US\$202 million due to a 44% decline in sales volumes. Average brick prices increased by 1% mainly due to an energy surcharge in the first half of the year partially offset by a less favourable regional and product mix. Boral bricks sold through direct distribution remains at approximately 80% of total volumes. Brick plant utilisation averaged 30%, down from 56% last year. EBITDA was significantly down as a result of low volumes and related production inefficiencies.

Boral employs around 1,600 people at 155 sites across the USA.

### Bricks

Boral Bricks operates 22 plants across 19 locations in nine states, primarily in the south-east and south-west. Over 80% of product sales are through a network of around 60 company-owned direct selling locations with the remainder via a network of independent distributors.

### Roof Tiles

Boral owns 50% of MonierLifetile (MLT). The joint venture has 12 operating concrete roof tile plants in the western and south-western states and also in Florida. US Tile, the country's largest clay roof tile producer, operates from a plant in Southern California and in Northern California. Through a 50% interest in a joint venture, US Tile operates in Trinidad, producing roof tiles for importation into Florida.

Our 50%-owned concrete roof tile joint venture, MonierLifetile (MLT), reported a loss of US\$2 million compared to a US\$21 million loss last year (Boral's share). Cost reductions of US\$10 million offset the impact of lower volumes. Average prices were up 1% on a mid-year price increase. Plant utilisation was down to 16% compared to 27% in the prior year.

Revenue of US\$16 million from Clay Roof Tiles was down 34% as a 38% volume decline more than offset a 5% increase in price. EBITDA was well below last year as costs were impacted by lower production and related inefficiencies from the commissioning and subsequent mothballing of the new plant in Lone.

Profit from BMTI was lower than last year. Fly ash volumes were down 23% on lower demand, which also resulted in additional royalty costs under take or pay contracts. Higher prices and new product initiatives did not offset lower volumes and the continued weak residential construction in Florida and Georgia.

Revenue from US Construction Materials of US\$96 million was down 23% on the prior year primarily due to declining commercial and infrastructure sales, and continued weak residential construction. EBITDA was down year-on-year. Concrete volumes were 30%-40% lower but price increases and cost controls offset higher fuel and other inflationary cost impacts. A step change program was completed for Construction Materials and Fly Ash businesses identifying around US\$23 million of potential profit improvement opportunities, with around US\$4.4 million delivered in 2008/09.

For USA's safety and environmental outcomes for 2008/09 refer to page s40 of Boral's 2009 Sustainability Report.

### Outlook

It remains unclear when a turnaround in US activity will occur and we have set our businesses accordingly. Brick utilisation is around 25% at the start of 2009/10 and concrete roof tiles remain at around 15%. Market forecasters currently expect a recovery to begin from late CY2009. We expect US housing starts in the December 2009 half to be similar to June 2009 half starts, with a recovery occurring in the June 2010 half. Overall, we expect a broadly similar level of housing starts in 2009/10 to those in 2008/09. Further incremental benefits of US\$24 million from ongoing cost reduction initiatives are expected in 2009/10, and increased second half sales and production volumes will reduce losses in the US, particularly in the June half.

Boral has well positioned, low cost, modern manufacturing facilities, and will deliver benefits as markets recover.

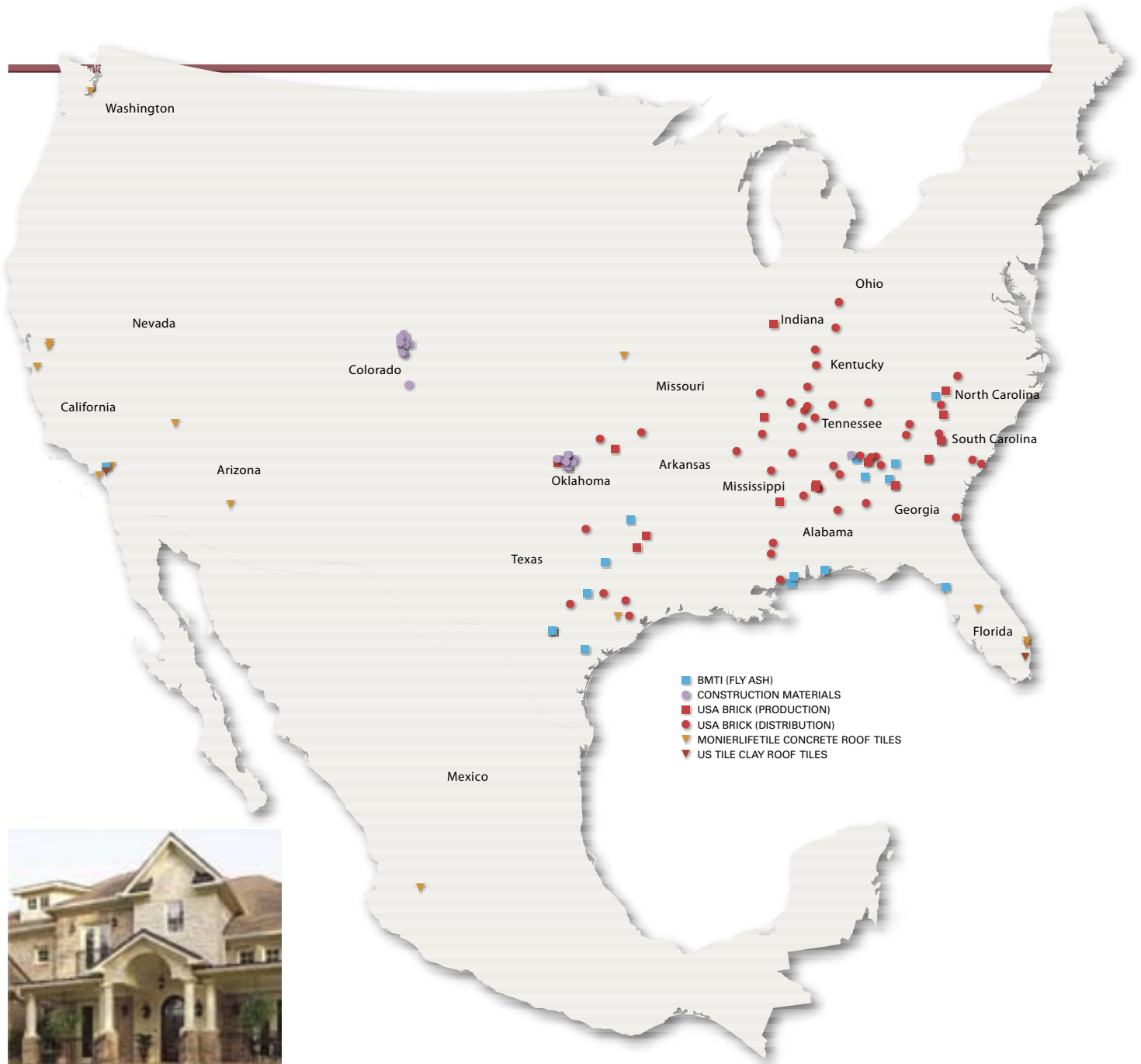
Emery Severin, PRESIDENT BORAL USA

### Fly Ash

Boral Material Technologies Inc. (BMTI), one of the largest marketers and distributors of coal combustion products in the USA, has around 26 locations including operations at electrical utility plants, fly ash terminals and sales offices. With cementitious properties, fly ash is used as a cement substitute.

### Construction Materials

Boral has a strong number three position in the growing Denver market with eight concrete plants, three sand and gravel deposits and two masonry plants. In August 2007, Boral acquired Schwarz concrete and sand business and Arbuckle limestone quarry in Oklahoma and has the number two position. The business has 18 concrete plants, two sand mines and a limestone quarry.



We have been expanding the product range and supplementing more traditional brick sales through Boral's direct distribution network, with sales of mortar, angle iron, cultured stone, thin brick and ReCote™. This is repositioning Boral from a traditional brick business to focus more on cladding solutions.

In response to natural gas prices and an objective to avoid replacing natural gas with other fossil fuels, we have a comprehensive alternative fuels program for brick manufacturing. The program is based on gasification, landfill gas and direct injection. While the downturn has slowed the program, we are continuing to make progress and anticipate significant savings when markets recover.

Boral Bricks' network optimisation program saved approximately US\$2.5 million in FY2009. By selling products close to their manufacturing base, we have substantially reduced the number of standard products across the business and reduced the amount of transport required. We have worked closely with our customers to communicate the benefits of the changes and ensure their needs have been met.

We have kept an eye on growth opportunities and continued innovation with a focus on new product development. During the year, MonierLifetile introduced the Madera Tile and US Tile introduced Cielo, ProSlate and an integrated solar panel. In BMTI new products and technologies continue to be developed including Powder Activated Carbon Treatment (PACT) to increase the amount of useable fly ash.



## Financial Review

### Financial Performance

Significant external factors continued to weigh heavily on the Group's results for the 2008/09 year. The continued decline in US housing starts had a pronounced impact on the US businesses, particularly the brick and roof tile operations, which resulted in EBIT for the US segment declining from a loss of \$27.1 million in 2007/08 to a loss of \$108.8 million in 2008/09. In Australia, dwelling approvals and starts were down around 20% which resulted in sales volumes declining across all Australian building products businesses. The residential weakness, combined with weakness in non-dwelling activity, resulted in concrete market volumes declining by around 10%. While cost reduction programs and price increases were successfully implemented, these were not sufficient to offset the volume declines. Australian segment operating profit was 20% below the prior year.

Largely as a result of the weaker US and Australian residential markets, Boral's net profit for the year decreased by 42% to \$142.0 million. This net profit is equivalent to 24.1 cents per share, a decrease of around 16.6 cents per share compared with the prior year. A final dividend of 5.5 cents per share has been declared which will be fully franked, bringing the full year dividends to 13 cents. The total dividends for 2009 were 62% below the dividends for the 2008 year. The pay-out ratio of 54% is in line with the target range of 50% to 70%.

The Group's net profit of \$142.0 million includes a number of significant items. These are shown in the table below:

### Reconciliation of underlying results to reported results

\$ millions	EBIT	Interest	Tax	Minority interest	Profit after tax
<b>Underlying results</b>	<b>275.7</b>	<b>(127.2)</b>	<b>(17.1)</b>	<b>(0.2)</b>	<b>131.2</b>
Significant items					
Disposal of investment	38.3	–	(11.5)	–	26.8
Impairment of assets	(80.4)	–	17.0	–	(63.4)
Onerous contract	(27.2)	–	10.3	–	(16.9)
Tax matters	–	29.5	34.8	–	64.3
<b>Total</b>	<b>(69.3)</b>	<b>29.5</b>	<b>50.6</b>	<b>–</b>	<b>10.8</b>
<b>Reported results</b>	<b>206.4</b>	<b>(97.7)</b>	<b>33.5</b>	<b>(0.2)</b>	<b>142.0</b>

During the year, the Group recognised a profit of \$38.3 million on the disposal of its investment in Adelaide Brighton Limited (ABL).

The Group has also reviewed the carrying value of its assets including goodwill which has resulted in a write-down of the value of the goodwill and other assets of \$80.4 million. In the US, goodwill arising on the acquisition of construction materials businesses in Colorado and Oklahoma has been written down by \$30.8 million. The Group has also written down goodwill by \$17.2 million in the precast concrete panels business in Australia. The Group also wrote down the value of assets other than goodwill by \$21.4 million. This relates to idle brick plants in the US and Australia as well as previously capitalised project costs in Asia of \$4.3 million. Penrith Lakes Development Corporation Limited, an associate, has assessed the carrying value of freehold land and capitalised costs and recorded an impairment charge in its accounts. The net impact of this impairment charge of \$11.0 million has been included in equity income of the Group.

In addition, the Group also recognised an amount of \$27.2 million, reflecting expected future losses on contractual obligations in the fly ash operations in the USA.

During the year, agreements were reached with the Australian Taxation Office and the US Internal Revenue Service over a number of disputed matters. As a result of reaching these agreements, provisions held for interest and tax related to these matters were reduced accordingly.

The net effect of the above significant items was an increase in the profit of \$10.8 million, taking underlying profit of \$131.2 million to a reported profit of \$142.0 million.

The Group's revenue from ordinary activities declined by 6.2% compared with the previous year to \$4.9 billion. The decrease in revenues can be largely attributed to lower volumes across most businesses. This was partially offset by increased prices, particularly in the Australian Construction Materials segment. Continued weak housing markets in Australia resulted in a 6% revenue decline in the Australian Building Products segment. US revenues in local currency declined by 33% as housing starts across the US declined by around 42%. Revenues in Asia, which consists of the Indonesian and Thailand concrete and quarry businesses, rose around 15%.

The Group's underlying<sup>1</sup> profit before interest and tax for the year declined by 38% compared to the previous year to \$275.7 million.

The Australian operations generated operating profits of \$370.3 million<sup>1</sup> during the year, down 20% compared to the prior year. The reduction in earnings was due largely to reduced building activity in a number of key markets, particularly in residential, commercial and industrial segments.

The Construction Materials operations in Australia reported an operating profit of \$330.1 million<sup>1</sup>, which compares to \$350.9 million in the prior year. Strength in the infrastructure segment was not sufficient to offset declines in activity levels in other markets and concrete, quarry and cement volumes were lower. Price increases were achieved in cement, concrete and quarry products. These price increases, together with cost savings and higher volumes, were able to largely offset the impact of volume declines and cost increases and the profit margin remained at around the same level as the prior year at 11.7%<sup>1</sup>.

Operating profit for the Australian Building Products segment for 2008/09 declined by 65% compared to the prior year to \$40.2 million<sup>1</sup>, largely as a consequence of lower volumes and the impact of plant fixed costs. This segment includes bricks, roof tiles, masonry, plasterboard, timber and windows which are all heavily reliant on the new residential construction market as a driver of demand. The Australian Building Products businesses achieved increased prices compared to the prior year, a notable achievement given the softer residential market.

The US housing market continued to weaken during 2008/09. Substantial declines in activity, particularly in single family detached housing, led to increased losses being incurred in the US segment. Brick sales volumes declined by 44%, although prices increased by around 1%. Concrete roof tile sales volumes declined by 39% although prices in that business also increased by around 1%. Despite price increases and cost improvements, volume declines in the Denver and Oklahoma construction materials business led to reduced profits. Profits from the fly ash business were lower than the prior year.

In Asia, volumes declined in plasterboard in most major markets during the year as activity slowed in response to weaker economic conditions. Price increases and cost reductions, however, were able to partially offset the impact of the volume

declines. The reported result from the Asian plasterboard business was 26% below the prior year. The Group's construction materials businesses in Asia reported improved results as cost increases were recovered through higher prices and margins improved. Concrete volumes were also lower in Thailand due to lower levels of construction activity.

Net interest expense increased from \$111.9 million to \$127.2 million<sup>1</sup>. This increase was predominantly due to an increase in average net debt and the impact of a weaker Australian dollar. Underlying EBIT interest cover declined from 4.0 times to 2.2 times, largely as a result of the decline in earnings.

The average underlying<sup>1</sup> tax rate for the year was lower than the prior year at 11.5%, due to the tax effect of the losses incurred in the US which are subject to a higher tax rate than Australian earnings. Boral's reported tax expense includes a net benefit of \$50.6 million relating to significant items.

The interim and final dividends for the year totalled \$76.6 million which, combined, represent a pay-out ratio of 54% of profit after tax, which was lower than the 83% ratio for the prior year although in line with Boral's policy of a 50% to 70% pay-out range. Boral continued its Dividend Reinvestment Plan (DRP) during 2009 and for both the interim and final dividend offered a 2.5% discount on the price of shares issued under the DRP. During the year, proceeds of \$49.7 million were applied to the issue of 12.1 million ordinary shares issued under the DRP relating to the final 2008 dividend and the interim 2009 dividend. Shares issued under the DRP relating to the final dividend for 2008 were bought back on-market. A total of 4.95 million shares were bought back at a cost of \$31.5 million.

## Income statement

for the year ended 30 June	2009 \$ millions	2008 \$ millions
Sales revenue	4,875.1	5,198.5
EBITDA <sup>1</sup>	539.0	688.2
Depreciation and amortisation	(263.3)	(240.2)
<b>EBIT</b>	<b>275.7</b>	448.0
Net interest <sup>1</sup>	(127.2)	(111.9)
Operating profit before tax <sup>1</sup>	148.5	336.1
Income tax expense <sup>1</sup>	(17.1)	(90.1)
Minority interests	(0.2)	0.6
<b>Underlying profit after tax<sup>1</sup></b>	<b>131.2</b>	246.6
Net significant items	10.8	(3.8)
<b>Profit after tax</b>	<b>142.0</b>	242.8
Earnings per share <sup>1</sup> (cents)	22.2	41.4
Earnings per share (cents)	24.1	40.7

<sup>1</sup> Excluding significant items.

## Financial Position

The net financial position of the Group remained relatively unchanged during the year with total equity decreasing by 5.4% to \$2,753.6 million. Net borrowings decreased to \$1,513.6 million from \$1,515.1 million. The reduction in net borrowings was after approximately \$77 million of growth capital and acquisitions during the year, and despite a depreciation in the Australian dollar and the impact on US dollar borrowings. The growth and acquisition expenditure, stay in business capital expenditure and the adverse currency movement was offset by strong operating cash flows and the proceeds of the sale of

Boral's shareholding in ABL. The Group's gearing (measured as net debt to equity) increased from 52% to 55% which is at the mid point of the stated target range of 40% to 70%.

Boral's long-term and short-term credit ratings were adjusted down from BBB+/A2 with Standard and Poor's to BBB/A3 and from Baa1/P2 with Moody's Investors Service, to Baa2/P2. In both cases a negative outlook has been applied.

At 30 June 2009, the Group had available undrawn committed debt facilities of around \$820 million. Boral's average debt maturity profile at 30 June 2009 was around 6.1 years compared with 6.0 years at 30 June 2008.

Boral has hedged its foreign exchange exposures (primarily US dollar denominated) arising from investments in overseas operations. Earnings from foreign operations are not hedged. Boral is exposed to financial risk in its operations as a result of fluctuations occurring in interest/foreign exchange rates and certain commodity prices. Boral uses financial instruments to manage such risks.

Boral's reported return on shareholders' funds declined from 8.4% to 5.2% during the period as reported earnings declined by around 42%.

## Balance sheet

As at 30 June	2009 \$ millions	2008 \$ millions
Current assets	1,577.0	1,570.8
Non-current assets	3,914.2	4,324.2
<b>Total assets</b>	<b>5,491.2</b>	5,895.0
Current liabilities	844.3	1,025.3
Non-current liabilities	1,893.3	1,960.1
<b>Total liabilities</b>	<b>2,737.6</b>	2,985.4
<b>Net assets</b>	<b>2,753.6</b>	2,909.6
<b>Total equity</b>	<b>2,753.6</b>	2,909.6

## Cash Flow

The Group generated operating cash flows of \$418.8 million after payment of interest and income tax. This represents a reduction of 28% or \$163.0 million compared to the cash flow reported last year. The reduction in operating cash flow reflects the lower earnings offset by lower tax payments and improved working capital management.

These cash flows were used to fund around \$239.5 million of capital and acquisition expenditure. The sale of the ABL shareholding provided around \$205.5 million of cash. Net borrowings reduced by \$235.8 million before the impact of translation of the Group's offshore borrowings.

## Debt and gearing

As at 30 June	2009 \$ millions	2008 \$ millions
Total debt	1,614.1	1,562.5
Total cash and deposits	100.5	47.4
<b>Net debt</b>	<b>1,513.6</b>	1,515.1
<b>Total shareholder equity</b>	<b>2,753.6</b>	2,909.6
<b>Gearing ratios</b>		
Net debt:equity (%)	55	52
Net debt:equity plus net debt (%)	35	34
Interest cover <sup>1</sup> (times)	2.2	4.0

<sup>1</sup> Excluding significant items.

## Board of Directors

### **Kenneth J Moss, AM** 1

NON-EXECUTIVE CHAIRMAN, AGE 64.

Dr Kenneth Moss joined the Boral Board in 1999 and became the Chairman of Directors in 2000. He is the Chairman of Centennial Coal Company Limited and Chairman of GPT RE Limited (the responsible entity for the General Property Trust). He was previously the Managing Director of Howard Smith Limited and is experienced in building materials businesses. He has an engineering degree (Honours) and a doctorate of philosophy in mechanical engineering from Newcastle University.

*Member of the Remuneration Committee.*

### **Rodney T Pearse, OAM** 2

MANAGING DIRECTOR, AGE 62.

Rod Pearse became the Managing Director and Chief Executive Officer of Boral in January 2000. He joined the Boral Group as the Managing Director, Construction Materials Group in 1994. He had previously held senior management positions in Shell International, Shell Australia and CSR Limited. He is a Board Member of the Business Council of Australia, a member of the Advisory Panel of The Australian School of Business at the University of New South Wales, the Chairman of Outward Bound Australia and serves as a Councillor for the Australian Business Arts Foundation. He has a commerce degree (Honours) from the University of New South Wales and a MBA (High Distinction) from Harvard University.

### **J Brian Clark** 3

NON-EXECUTIVE DIRECTOR, AGE 60.

Dr Brian Clark joined the Boral Board in May 2007. He has experience as a non-executive director in Australia and overseas. He is a Director of AMP Limited. In South Africa, he was President of the Council for Scientific and Industrial Research (CSIR) and CEO of Telkom SA. He also spent 10 years with the UK's Vodafone Group as CEO Vodafone Australia, CEO Vodafone Asia Pacific and Group Human Resources Director. He has a doctorate in physics from the University of Pretoria, South Africa and completed the Advanced Management Program at the Harvard Business School.

*Chairman of the Remuneration Committee.*

### **E John Cloney** 4

NON-EXECUTIVE DIRECTOR, AGE 68.

John Cloney joined the Boral Board in 1998. Mr Cloney is the Chairman of QBE Insurance Group Limited and a Director of Maple-Brown Abbott Limited. He is a member of the Advisory Council of RBS Group (Australia) Pty Limited. His career was in international insurance and he was previously the Managing Director of QBE Insurance Group Limited. He is a fellow of the Australian Institute of Management and the Australia and New Zealand Institute of Insurance and Finance.

Mr Cloney is a member of the Remuneration Committee, having been Chairman of that Committee throughout the reporting period.

### **Robert L Every** 5

DEPUTY CHAIRMAN, AGE 64.

Dr Bob Every joined the Boral Board in September 2007. He is the Chairman of Iluka Resources Limited and Chairman of Wesfarmers Limited. He is also on the Board of Malcolm Sargeant Cancer Fund for Children Limited known as Redkite. He held senior executive positions with Tubemakers of Australia and BHP and was the Managing Director and CEO of OneSteel Limited. He is a fellow of the Australian Academy of Technological Sciences and Engineers. He has a science degree (honours) and a doctorate of philosophy (metallurgy) from the University of New South Wales.

*Member of the Remuneration Committee.*

### **Richard A Longes** 6

NON-EXECUTIVE DIRECTOR, AGE 64.

Richard Longes joined the Boral Board in 2004. He is a Director of Austbrokers Holdings Limited and Metcash Limited. He is a lawyer and a non-executive Director of Investec Bank (Australia) Limited. He was previously an executive of Investec Bank, a principal of Wentworth Associates, the corporate advisory and private equity group, and a partner of Freehills, a leading law firm. He has arts and law degrees from the University of Sydney and a MBA from the University of New South Wales.

*Member of the Audit Committee.*

### **Paul A Rayner** 7

NON-EXECUTIVE DIRECTOR, AGE 55.

Paul Rayner joined the Boral Board in 2008. He is a Director of Qantas Airways Limited and Centrica plc, a UK listed company. He has held senior executive positions in finance and operations in Australia including Executive Director, Finance and Administration of Rothmans Holdings Limited and as Chief Operating Officer of British American Tobacco Australasia Limited. He was Finance Director of British American Tobacco plc from January 2002 until 2008, based in London. He has an economics degree from the University of Tasmania and a masters of administration from Monash University.

*Chairman of the Audit Committee.*

### **J Roland Williams, CBE** 8

NON-EXECUTIVE DIRECTOR, AGE 70.

Dr Roland Williams joined the Boral Board in 1999. He is a Director of Origin Energy Limited. He had an international career with the Royal Dutch/Shell Group from which he retired as Chairman and Chief Executive of Shell Australia. He has a chemical engineering degree (Honours) and a doctorate of philosophy from the University of Birmingham.

*Member of the Audit Committee.*





## Corporate Governance

### Introduction

This section of the Annual Review outlines Boral's governance framework.

Boral is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Directors consider that Boral's governance framework and adherence to that framework are fundamental in demonstrating that the Directors are accountable to shareholders and are appropriately overseeing the management of risk and the future direction of the Company.

Throughout the 2008/09 financial year, Boral's governance arrangements were consistent in all substantial respects with the Corporate Governance Principles and Recommendations released by the Australian Securities Exchange (ASX) Corporate Governance Council in August 2007, other than as regards the recommendation of the Council that a Nomination Committee be established. Boral has adopted an alternative approach in relation to this recommendation, as explained at page 32 of this Statement.

The table on page 37 indicates where specific ASX Principles and Recommendations are dealt with in this Statement.

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

### Principle 1: Lay solid foundations for management and oversight

#### Responsibilities of the Board and management

The Board of Directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. Directors are accountable to the shareholders for the Company's performance and governance.

Under the Company's Constitution, the business of the Company is managed by or under the direction of the Directors, with the Directors being permitted to delegate any of their powers (including the power to delegate) to the managing director.

The matters that the Board has reserved for its decision include:

- oversight of the Company including its conduct and accountability systems;
- reviewing and approving overall financial goals for the Company;
- approving strategies and plans for Boral's businesses to achieve these goals;
- approving financial plans and annual budgets;
- monitoring implementation of strategy, business performance and results and ensuring appropriate resources are available;
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- appointing, rewarding and determining the duration of the appointment of the chief executive officer and ratifying the appointments of senior executives including the Chief Financial Officer and the Company Secretary;
- reviewing the performance of the chief executive officer and senior management;
- reviewing and verifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

- reviewing sustainability performance and overseeing occupational health and safety and environmental management and performance;
- approving and monitoring financial reporting and reporting to shareholders on the Company's direction and performance, and
- meeting legal requirements and ensuring that the Company acts responsibly and ethically and prudently manages business risks and Boral's assets.

*A statement of matters reserved for the Board is available on Boral's website.*

Non-executive Directors would spend approximately 30 days each year on Board business and activities including Board and Committee meetings, meeting for two days with senior management to discuss in detail the strategic direction of the Company's businesses, visits to operations and meeting employees, customers, business associates and other stakeholders. During the year, the Directors visited a number of sites, including Boral Timber's hardwood operations on the north coast of New South Wales and softwood operations at Oberon, and Greystanes (Quarry End Use).

Each month, Directors receive a detailed operating review from the Managing Director and Chief Executive Officer (CEO) regardless of whether a Board Meeting is being held that month.

The Board has delegated to the CEO and, through the CEO, to other senior executives, responsibility for the day to day management of the Company's affairs and implementation of the Company's strategy and policy initiatives. The CEO and senior executives operate in accordance with Board-approved policies and delegated limits of authority, as set out in Boral's Management Guidelines.

Senior executives reporting to the CEO have their roles and responsibilities defined in position descriptions, as set out in relevant letters of appointment.

#### Evaluating the performance of senior executives

The performance of senior executives is reviewed annually against appropriate measures as part of Boral's performance management system, which is in place for all managers and staff. The system includes processes for the setting of objectives and the annual assessment of performance against objectives and workplace style and effectiveness.

On an annual basis, the Remuneration Committee and subsequently the Board formally review the performance of the CEO. The criteria assessed are both qualitative and quantitative and include profit performance and other financial measures, safety performance and strategic actions.

The CEO annually reviews the performance of each of Boral's senior executives, being members of the Management Committee, using criteria consistent with those used for reviewing the CEO. The CEO reports to the Board through the Remuneration Committee on the outcome of those reviews.

A performance evaluation for senior executives took place in the 2008/09 year in accordance with the processes described above.

Further details on the assessment criteria for CEO and senior executive remuneration (including equity-based plans) are set out in the Remuneration Report which forms part of the Annual Review.

## Principle 2: Structure the board to add value

### Structure of the Board

Together, the Board members have a broad range of financial and other skills, experience and expertise necessary to oversee Boral's business. The Board of Directors comprises seven non-executive Directors (including the Chairman) and one executive Director, the CEO. The roles of Chairman and CEO are not exercised by the same individual. The skills, experience and expertise of each Director are set out on page 30 of the Annual Review.

The Directors determine the size of the Board by reference to the Constitution, which provides that there will be a minimum of three Directors and a maximum of 12 Directors.

Paul Rayner was appointed to the Board in September 2008. In July 2009, it was announced that John Cloney will retire after the 2009 Annual General Meeting.

The period of office held by each current Director is:

	Appointed	Last elected at an Annual General Meeting
Ken Moss, Chairman	1999	27 October 2006
Rod Pearce, CEO	2000	Not applicable
Brian Clark	2007	29 October 2007
John Cloney	1998	27 October 2006
Bob Every	2007	29 October 2007
Richard Longes	2004	29 October 2007
Paul Rayner	September 2008	24 October 2008
Roland Williams	1999	29 October 2007

Details of the number of Board and Committee meetings attended by each Director are set out on page 40 of the Annual Review.

### Chairman's appointment and responsibilities

The Board selects the Chairman from the non-executive independent Directors. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functioning. He ensures that Directors have the opportunity to contribute to Board deliberations. The Chairman regularly communicates with the CEO to review key issues and performance trends. He also represents the Company in the wider community.

Currently, Dr Ken Moss is the Chairman. In July 2009, the Board introduced the new role of Deputy Chairman as part of the Board's succession planning, with Dr Bob Every being appointed Deputy Chairman. Dr Every will assume the role of Chairman in May 2010 when Dr Moss retires from the Board.

### Committees

To assist the Board to carry out its responsibilities, the Board has established an Audit Committee and a Remuneration Committee. The qualifications of each Committee member and the number of meetings they attended during the reporting period are set out on pages 30 and 40 of the Annual Review.

These Committees are discussed further below under Principle 4 (Audit Committee) and Principle 8 (Remuneration Committee).

### Director independence

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

- the Director is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder;
- the Director is not employed, or has not previously been employed, in an executive capacity by a Boral company or, if the Director has been previously employed in an executive capacity, there has been a period of at least three years between ceasing such employment and serving on the Board;
- the Director has not within the last three years been a principal of a professional adviser or consultant to a Boral company, or an employee associated with the service provided;
- the Director is not a significant material supplier or customer of a Boral company or an officer of or otherwise associated directly or indirectly with a material supplier or customer, and
- the Director has no material contractual relationship with a Boral company other than as a Director.

The Board considers that none of the interests of Directors with other firms or companies having a business relationship with Boral could materially interfere with the ability of those Directors to act in Boral's best interests. Material in the context of Director independence is, generally speaking, regarded as being 5% of the revenue of the supplier, customer or other entity being attributable to the association with a Boral company or companies.

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

### Nomination and appointment of Directors

The Board has considered establishing a Nomination Committee and decided, in view of the relatively small number of Directors, that such a Committee would not be a more efficient mechanism than the full Board for detailed selection and appointment practices. The full Board performs the functions that would otherwise be carried out by a Nomination Committee.

The Board's policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to carry out its responsibilities most effectively. As part of this appointment process, the Directors consider Board renewal and succession plans and whether the Board is of a size and composition that is conducive to making appropriate decisions.

The appointment of Paul Rayner as a new non-executive Director in September 2008 followed a process during which the full Board assessed the necessary and desirable competencies of potential candidates and considered a number of names before deciding on the most suitable candidate for appointment. The selection process includes obtaining assistance from an external consultant to identify suitable candidates and to assess these candidates. Candidates identified as being suitable are interviewed by one or more Directors. Confirmation is sought from prospective directors that they would have sufficient time to fulfil their duties as a Director.

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At the time of appointment of a new non-executive Director, the key terms and conditions relative to that person's appointment, the Board's responsibilities and the Company's expectations of a Director are set out in a letter of appointment provided to that new Director.

### **Induction**

Management, with the Board, provides an orientation program for new directors. The program includes discussions with senior executives, the provision to the new director of materials such as the Strategic Plan and the Share Trading Policy, site visits to some of Boral's key operations and discussions with other Directors.

### **Tenure of Directorships**

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

The Directors believe that limits on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board. As a consequence, the Board does not support arbitrary limits on tenure and regards nominations for re-election as not being automatic but based on the individual performance of Directors and the needs of the Company. Before the business to be conducted at the Annual General Meeting is finalised, the Board discusses the tenure of Directors standing for re-election in the absence of those Directors.

### **Evaluation of Board performance**

The Board periodically undertakes an evaluation of the performance of the Board and its Committees. The evaluation encompasses a review of the structure and operation of the Board, the skills and characteristics required by the Board to maximise its effectiveness and whether the blending of skills, experience and expertise and the Board's practices and procedures are appropriate for the present and future needs of the Company. Steps involved in the evaluation include the completion of a questionnaire by each Director, review of responses to the questionnaire at a Board Meeting and a private discussion between the Chairman and each other Director.

An evaluation of the Board's performance was undertaken in September/October 2008 in accordance with the evaluation process described above.

### **Conflicts of interest**

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

### **Access to information, independent advice and indemnification**

After consultation with the Chairman, Directors may seek independent professional advice, in furtherance of their duties,

at the Company's expense. The Company Secretary provides advice and support to the Board. Directors also have access to members of senior management at any time to request relevant information.

Under the Company's Constitution and agreements with Directors and to the extent permitted by law, the Company indemnifies Directors against liabilities to third parties incurred in their capacity as officers of the Company and against certain legal costs incurred in defending an action for such liabilities.

### **Principle 3: Promote ethical and responsible decision-making**

#### **Conduct and ethics**

The Board's policy is that Boral companies and employees must observe both the letter and spirit of the law, and adhere to high standards of business conduct and strive for best practice. Boral's Management Guidelines contain a Code of Corporate Conduct and other guidelines and policies which set out legal and ethical standards for employees. As part of performance management, employees are assessed against the Boral Values of leadership, respect, focus, performance and persistence.

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

Boral treats breaches of legal and ethical standards seriously. During the 2008/09 financial year, 66 Boral employees were dismissed for serious breaches of policy.

*A copy of Boral's Code of Corporate Conduct is available on Boral's website.*

#### **Dealings in Boral shares**

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

- the 30 day period beginning on the second day after the release of Boral's interim results;
- the 30 day period beginning on the second day after the release of Boral's full year results;
- the 30 day period beginning on the second day after the Annual General Meeting, and
- any other period designated by the Board (for example, during a period of enhanced disclosure).

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

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

Under the Share Trading Policy, Directors and senior executives are required to notify the Company Secretary (or, in the case of trading by Directors, the Chairman) before and after trading.

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

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

Share dealings by Directors are promptly notified to the ASX. Directors must hold a minimum of 1,000 Boral shares.

#### Principle 4: Safeguard integrity in financial reporting

##### Audit Committee

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

Paul Rayner (Chairman)  
Richard Longes  
Roland Williams

Elizabeth Alexander chaired this Committee until she retired as a director in October 2008.

The Committee met five times during the 2008/09 financial year, and attendance by members at these meetings is shown on page 40 of the Annual Review.

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

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

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

*A copy of the Audit Committee Charter is available on Boral's website.*

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

When considering the yearly and half yearly financial reports, the Audit Committee reviews the carrying value of assets, provisions and other accounting issues.

Questionnaires completed by divisional management are reviewed by the Committee half yearly.

As required by the *Corporations Act 2001* for year end financial reports, the CEO and the Chief Financial Officer give a declaration to the Directors that the Company's financial records have been properly maintained and that the financial reports give a true and fair view before the Board resolves that the Directors' Declarations accompanying the financial reports be signed.

At each scheduled meeting of the Committee, both external and internal auditors report to the Committee on the outcome of their audits and the quality of controls throughout Boral. As part of its agenda, the Audit Committee meets with the external and internal auditors, in the absence of the CEO and Chief Financial Officer, at least twice during the year.

The Chairman of the Audit Committee reports to the full Board after Committee Meetings. Minutes of Meetings of the Audit Committee are included in the papers for the next Board Meeting after each Committee Meeting.

##### External auditor

Boral's external auditor is KPMG. The scope of the external audit and the effectiveness, performance and independence of the external auditor are reviewed by the Audit Committee.

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

The Audit Committee monitors procedures to ensure the rotation of external audit engagement partners every five years as required by the *Corporations Act 2001*.

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

An Independence Declaration by the external auditor forms part of the Directors' Report and is set out on page 42.

##### Internal audit

The internal audit function is outsourced, with PricewaterhouseCoopers being the Company's internal audit service provider. The internal audit program is approved by the Audit Committee before the start of each year and the effectiveness of the function is kept under review.

##### Principle 5: Make timely and balanced disclosure

Boral is committed to making timely and balanced disclosure of all material matters and to effective communication with its shareholders and investors so as to give them ready access to balanced and understandable information.

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

The CEO, the Chief Financial Officer and the Company Secretary are responsible for determining whether or not information is required to be disclosed to the ASX, in appropriate circumstances in consultation with the Chairman and/or the Board.

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

## Principle 6: Respect the rights of shareholders

### Communications with shareholders

The Company's policy is to promote effective communication with shareholders and other investors so that they understand how to assess relevant information about Boral and its corporate proposals.

The fundamental review of Boral's remuneration policies and practices undertaken by the Board, as detailed in the Remuneration Report, provides an example of shareholder (and other stakeholder) engagement during the reporting period. As noted in the Remuneration Report, following the concerns expressed by shareholders at the 2008 Annual General Meeting, a comprehensive stakeholder engagement program was undertaken, involving members of the Remuneration Committee, other Directors and members of management meeting with representatives of retail and institutional investors and governance advisory firms. This process allowed a broad range of views to be taken into consideration as part of the review of Boral's remuneration policies and practices.

Annual and half-yearly reports are provided to shareholders (other than those who have requested that they not receive copies). Shareholders may elect to receive annual reports electronically or to receive notifications via email when reports are available online. While companies are not required to send annual reports to shareholders other than those who have elected to receive them, any shareholder who has not made an election is sent an easy-to-read summary of the Annual Report, called the Shareholder Review.

Announcements to the market are placed on Boral's website after they are released to the ASX. These announcements are retained on the website for at least three years. General meetings and briefings to analysts following results and other major announcements are webcast.

Boral encourages shareholders to attend and participate in all general meetings including annual general meetings. Shareholders are entitled to ask questions about the management of the Company and of the auditor as to its conduct of the audit and preparation of its reports.

Notices of Meeting for general meetings are accompanied by explanatory notes to provide shareholders with information to enable them to decide whether to attend and how to vote on the business of the meeting. Full copies of Notices of Meeting and explanatory notes are posted on Boral's website. If shareholders are unable to attend general meetings, they may vote by appointing a proxy, using the form attached to the Notice of Meeting or an online facility.

This year, shareholders will be invited, at the time of receiving notice of the Annual General Meeting, to put forward questions that they would like addressed at the Annual General Meeting.

*A copy of Boral's policy on Communications with Shareholders is available on Boral's website.*

## Principle 7: Recognise and manage risk

### Risk identification and management

The managers of Boral's businesses are responsible for identifying and managing risks. The Board (in the case of financial risk as noted above, through the Audit Committee) is responsible for satisfying itself that a sound system of risk

oversight and management exists and that internal controls are effective. In particular, the Board ensures that:

- the principal strategic, operational, financial reporting and compliance risks are identified; and
- systems are in place to assess, manage, monitor and report on these risks.

Under the supervision of the Board, management is responsible for designing and implementing risk management and internal control systems to manage the Company's material business risks. Boral's senior management has reported to the Board on the effectiveness of the management of the material business risks faced by Boral during the 2008/09 financial year.

Risk management matters are analysed and discussed by the Board at least annually and more frequently if required.

In addition to maintaining appropriate insurance and other risk management measures, identified risks are managed through:

- established policies and procedures for the managing of funding, foreign exchange and financial instruments (including derivatives) including the prohibition of speculative transactions. The Board has approved Treasury policies regarding exposures to foreign currencies, interest rates, commodity prices, liquidity and counterparty risks which include limits and authority levels. Compliance with these policies is reported to the Board monthly and certified by Treasury management and the Audit Committee twice yearly;
- key business risks being identified on a Divisional basis and on a corporate-wide basis and reported to the Directors as part of the strategic planning process. Management was assisted by a specialised risk management consultancy in assessing risks corporate-wide during the 2008/09 financial year and this process will provide a continuous approach to risk management;
- policies, standards and procedures in relation to environmental and health and safety matters;
- training programs in relation to legal and compliance issues such as trade practices, intellectual property protection, occupational health and safety and environmental;
- procedures requiring that significant capital and revenue expenditure and other contractual commitments are approved at an appropriate level of management or by the Board; and
- comprehensive management guidelines setting out the standards of behaviour expected of employees in the conduct of the Company's business.

The internal audit function is involved in risk assessment and management and the measurement of effectiveness. The internal and external audit functions are separate and independent of each other.

In addition to an overall risk management policy, Boral has numerous risk management systems and policies that govern the management of risk.

The Board has acknowledged that the material provided to it on risks has enabled it to review the effectiveness of the risk management and internal control system to manage the Company's material business risks.

## Compliance

The Company has adopted policies requiring compliance with occupational health and safety, environmental and trade practices laws.

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

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

Despite the Company's policies and actions to avoid occurrences which infringe regulations, there have been a small number of prosecutions against subsidiary companies for breach of occupational health and safety legislation.

## CEO and Chief Financial Officer declaration

The CEO and the Chief Financial Officer have provided the Directors with a declaration in accordance with section 295A of the *Corporations Act 2001* for the 2008/09 financial year, including confirmation that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results. The Board confirms that it has received assurance from the CEO and the Chief Financial Officer that the above statement was founded on a sound system of risk management and internal control, and that such system is operating effectively in all material respects in relation to financial reporting risks.

## Principle 8: Remunerate fairly and responsibly

### Remuneration Committee

The Board has a Remuneration Committee which comprises four independent non-executive Directors. The members of the Committee are:

Brian Clark (Chairman from 27 July 2009)  
John Cloney (Chairman until 27 July 2009)  
Bob Every  
Ken Moss

The Committee met on six occasions during the 2008/09 financial year, and attendance by members at these meetings is shown on page 40 of the Annual Review.

The Remuneration Committee has a formal Charter which sets out its role and responsibilities, composition structure and membership requirements.

*A copy of the Remuneration Committee Charter is available on Boral's website.*

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

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

The Chairman of the Remuneration Committee reports to the full Board after Committee Meetings. Minutes of Meetings of the Remuneration Committee are included in the papers for the next Board Meeting after each Committee Meeting.

Boral's remuneration policy and practices are designed to attract, motivate and retain high quality people. The policy is built around principles that:

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

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

Boral's Share Trading Policy, which is referred to on pages 33 and 34 of this Statement under the sub-heading 'Dealings in Boral Shares' under Principle 3, prohibits executives entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under Boral's equity-based remuneration schemes.

### Remuneration of non-executive Directors

The remuneration of the non-executive Directors is fixed and they do not receive any options, variable remuneration or other performance-related incentives. Nor are there any schemes for retirement benefits for non-executive Directors.

Further information relating to the remuneration of the non-executive Directors is set out in the Remuneration Report on page 59. This information includes a summary of the terms of the Non-Executive Directors' Share Plan.

### Conclusion

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

ASX Corporate Governance Council's Principles and Recommendations (ASX CGC's Recommendations)  
– Boral's Corporate Governance Statement 2009

Principle	ASX CGC's Recommendations	Page
<b>1</b>	<b>Lay solid foundations for management and oversight</b>	
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 31
1.2	Disclose the process for evaluating the performance of senior executives.	Page 31
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	Page 31
<b>2</b>	<b>Structure the Board to add value</b>	
2.1	A majority of the Board should be independent Directors.	Page 32
2.2	The chair should be an independent Director.	Page 32
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 32
2.4	The Board should establish a nomination committee.	Page 32 (not adopted)
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 33
2.6	Provide the information indicated in <i>Guide to reporting on Principle 2</i> .	Pages 32-33
<b>3</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>3.1.1 the practices necessary to maintain confidence in the company's integrity.</li> <li>3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.</li> <li>3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Page 33
3.2	Establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Pages 33-34
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	Pages 33-34
<b>4</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The Board should establish an audit committee.	Page 34
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> <li>• consists only of Non-executive Directors;</li> <li>• consists of a majority of independent Directors;</li> <li>• is chaired by an independent chair, who is not chair of the Board; and</li> <li>• has at least three members.</li> </ul>	Page 34
4.3	The audit committee should have a formal charter.	Page 34
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	Page 34

Principle	ASX CGC's Recommendations	Page
<b>5</b>	<b>Make timely and balanced disclosure</b>	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 34
5.2	Provide the information indicated in <i>Guide to reporting on Principle 5</i> .	Page 34
<b>6</b>	<b>Respect the rights of shareholders</b>	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 35
6.2	Provide the information indicated in <i>Guide to reporting on Principle 6</i> .	Page 35
<b>7</b>	<b>Recognise and manage risk</b>	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Page 35
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Pages 35-36
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 36
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	Pages 35-36
<b>8</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The Board should establish a remuneration committee.	Page 36
8.2	Clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior executives.	Page 36
8.3	Provide the information indicated in <i>Guide to reporting on Principle 8</i> .	Page 36

## Directors' Report

The Directors of Boral Limited ("Company") report on the consolidated entity, being the Company and its controlled entities ("Boral"), for the financial year ended 30 June 2009:

### (1) Review of operations

A review of the operations of Boral during the year and the results of those operations are contained in the Chairman's Review and Managing Director's Review on pages 4 to 8 of the Annual Review.

### (2) State of affairs

There were no significant changes in Boral's state of affairs during the year other than:

- the Chief Executive Officer and Managing Director, Mr Rodney T Pearse, announced his intention to retire at the end of 2009;
- the sale of Boral's 17.6% shareholding in Adelaide Brighton Limited (ABL) realising a profit of \$38.3 million (\$26.8 million after tax); and
- significant items having a net after tax impact of \$10.8 million. The favourable items comprise the profit on the sale of the ABL shares mentioned above and a \$64.3 million reduction in provisions as a result of the resolution of a number of long standing tax disputes in Australia and the USA. These amounts offset adverse items totalling \$80.4 million (\$63.4 million after tax) comprising impairment charges for goodwill in construction materials operations in the USA, write-downs for idle brick production assets in Australia and the USA and land and capitalised project costs in Australia and Asia, and an expense of \$27.2 million (\$16.9 million after tax) recognised in connection with an onerous contract relating to the purchase of fly ash in Florida.

### (3) Principal activities and changes

Boral's principal activities are the manufacture and supply of building and construction materials in Australia, the USA and Asia. There were no significant changes in the nature of those activities during the year.

### (4) Events after end of financial year

There are no matters or circumstances that have arisen since the end of the year that have significantly affected, or may significantly affect:

- (a) Boral's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) Boral's state of affairs in future financial years.

### (5) Future developments and results

Other than matters referred to under the heading "Outlook" in the Managing Director's Review on page 7 of the Annual Review, the Directors have no comments to make on likely developments in Boral's operations in future financial years and the expected results of those operations.

### (6) Environmental performance

Details of Boral's performance in relation to environmental regulation are set out under Environment on pages 18 to 23 of the Sustainability Report (which is a supplement to the Annual Review).

### (7) Other information

Other than information in the Annual Review, there is no information that members of the Company would reasonably require to make an informed assessment of:

- (a) the operations of Boral; and
- (b) the financial position of Boral, and
- (c) Boral's business strategies and its prospects for future financial years.

### (8) Dividends paid or resolved to be paid

Dividends paid to members during the year were:

	Total dividend \$ million
The final dividend of 17 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year ended 30 June 2008 was paid on 18 September 2008	99.6
The interim dividend of 7.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year was paid on 3 April 2009	44.0

The Directors have resolved to pay a final dividend of 5.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year. The dividend will be paid on 28 September 2009.

### (9) Names of Directors

The names of persons who have been Directors of the Company during or since the end of the year are:

Elizabeth A Alexander	Kenneth J Moss
J Brian Clark	Rodney T Pearse
E John Cloney	Paul A Rayner
Robert L Every	J Roland Williams
Richard A Longes	

All of those persons, other than Mr Rayner and Ms Alexander, have been Directors at all times during and since the end of the year. Mr Rayner was appointed a Director on 5 September 2008 and has been a Director at all times since that date. Ms Alexander was a Director from 1 July 2008 to 24 October 2008, on which date she retired from the Board of Directors.

### (10) Options

Details of options that are granted over unissued shares of the Company, options that lapsed during the year and shares of the Company that were issued during the year as a result of the exercise of options are as follows:



Tranche	Grant date	Expiry date	Exercise price	Balance at	Options	Options	Shares issued	Options at end of year	
				beginning of year	issued during the year	lapsed during the year	during the year as a result of exercise of options	Issued	Vested
				Number	Number	Number	Number		
(xii)	04/11/2002	04/11/2009	\$4.12	143,000	–	–	–	143,000	143,000
(xiii)	29/10/2003	29/10/2010	\$5.57	2,614,428	–	149,456	21,692	2,443,280	625,371
(xiv)	29/10/2004	29/10/2011	\$6.60	1,949,700	–	55,400	–	1,894,300	–
(xv)	31/10/2005	31/10/2012	\$7.70	3,195,000	–	81,000	–	3,114,000	–
(xvi)	06/11/2006	06/11/2013	\$7.32	4,580,900	–	94,900	–	4,486,000	–
(xvii)	06/11/2007	06/11/2014	\$6.83	5,938,700	–	84,300	–	5,854,400	–
				<b>18,421,728</b>		<b>465,056</b>	<b>21,692</b>	<b>17,934,980</b>	<b>768,371</b>

The options referred to above were held by 169 persons.

Since the end of the year, the Company has issued a further 77,500 ordinary shares at the price of \$4.12 each as a result of the exercise of options in Tranche (xii).

Each option granted over unissued shares of the Company entitles the holder to subscribe for one fully paid share in the capital of the Company. Option holders have no rights under any options to participate in any share issue or interest issue of any body corporate other than the Company. No unissued shares and interests of the Company or any controlled entity are under option other than as set out in this clause.

### (11) Indemnities and insurance for officers and auditors

Under its Constitution, the Company indemnifies, to the extent permitted by law, each Director and Secretary of the Company against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred by that person as an officer of the Company or a subsidiary of the Company. The Directors listed on page 30 of the Annual Review and the Company Secretary, Margaret Taylor, have the benefit of the indemnity in the Constitution.

In addition, each of the Directors who held office during the year has entered into a Deed of Indemnity, Insurance and Access with the Company, as approved by the Board, which provides for indemnification consistent with that provided under the Constitution.

No amount has been paid under any of these indemnities during the 2008/09 year or since then to the date of this Report.

### (12) Directors' Qualifications, Experience and Special Responsibilities and Directorships of Other Listed Companies in the Last Three Financial Years

Each Director's qualifications, experience and special responsibilities are set out on page 30 of the Annual Review.

Details for each Director of all directorships of other listed companies held at any time in the three years before the end of the financial year and the period for which such directorships has been held are:

#### Brian Clark

AMP Limited from January 2008 (current)

#### John Cloney

QBE Insurance Group Limited from 1981 (current)

#### Bob Every

Iluka Resources Limited from March 2004 (current)

Sims Group Limited from October 2005 to November 2007

Wesfarmers Limited from February 2006 (current)

#### Richard Longes

Austbrokers Holdings Limited from November 2005 (current)

Metcash Limited from April 2005 (current)

Viridis Investment Management Limited from September 2005 to August 2007

#### Ken Moss

Adsteam Marine Limited from 2001 to March 2007

Centennial Coal Limited from 2000 (current)

GPT RE Limited from June 2005 (current)

Macquarie Capital Alliance Group (being Macquarie Capital

Alliance Limited, Macquarie Capital Alliance Management Limited and Macquarie Capital Alliance Bermuda Limited) from March 2005 to September 2008

#### Paul Rayner

British American Tobacco plc from January 2002 to April 2008

Centrica plc from September 2004 (current)

Qantas Airways Limited from 2008 (current)

#### Rodney Pearse

Nil

#### Roland Williams

Origin Energy Limited from 2000 (current)

### (13) Meetings of Directors

The number of Meetings of the Board of Directors and each Board Committee held during the year and each Director's attendance at those Meetings was:

	Board of Directors		Audit Committee		Remuneration Committee	
	Meetings held while a Director	Meetings attended	Meetings held while a Member	Meetings attended	Meetings held while a Member	Meetings attended
Elizabeth Alexander	3	3	2	2	–	–
Brian Clark	11	11	–	–	6	5
John Cloney	11	8	–	–	6	6
Bob Every	11	11	–	–	6	6
Richard Longes	11	11	5	4	–	–
Kenneth Moss	11	11	–	–	6	6
Rodney Pearse	11	11	–	–	–	–
Paul Rayner	9	9	3	3	–	–
Roland Williams	11	10	5	5	–	–

Mr Pearse, the Managing Director, is not a member of the Audit and Remuneration Committees but attended all of the Meetings held by those Committees.

### (14) Company Secretary

The qualifications and experience of the Company Secretary, Margaret Taylor, are set out on page 9 of the Annual Review.

### (15) Directors' shareholdings

Details of each Director's relevant interests in the shares and other securities of the Company are:

	Shares	Non-Executive Directors' Share Plan <sup>a</sup>	Options and Share Acquisition Rights (SARs)
Brian Clark	59,473	4,441	–
John Cloney	14,614	27,027	–
Bob Every	13,004	3,847	–
Richard Longes	13,994	8,453	–
Kenneth Moss	31,000	33,328	–
Rodney Pearse	4,103,555	–	<b>b</b>
Paul Rayner	6,179	1,491	–
Roland Williams	52,512	22,430	–

The shares are held in the name of the Director except in the case of:

- Brian Clark, 40,096 shares are held by UBS Wealth Management Australia Nominees Pty Limited – <Brian & Sandra S/F A/C> and 18,037 shares are held by UBS Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- John Cloney, 534 shares are held by Lizzey Investments Pty Limited and 12,500 shares are held by Cloney Superannuation Fund;
- Richard Longes, 10,000 shares are held by Gemnet Pty Limited for Richard Longes Superannuation Fund;
- Kenneth Moss, 31,000 shares are held by K J and G A Moss; and
- Rodney Pearse, 44,016 shares are held by Pearse Nominees (NSW) Pty Limited.

Shares or other securities with rights of conversion to equity in the Company or in a related body corporate are not otherwise held by any Directors of the Company. There were no disposals of such securities by any Directors or their Director-related entities during the financial year.

**a** Shares in the Company allocated to the Director's account in the Non-Executive Directors' Share Plan. Directors will only be entitled to a transfer of the shares in accordance with the terms and conditions of the Plan. Details of the shares allocated to non-executive Directors during the financial year are set out below:

	Number of shares allocated <sup>1</sup>
Elizabeth Alexander	9,490
Brian Clark	3,278
John Cloney	3,441
Robert Every	3,278
Richard Longes	3,278
Kenneth Moss	16,899
Paul Rayner	1,491
Roland Williams	3,279

<sup>1</sup> Shares were allocated in two tranches – one tranche on 20 August 2008 (at a price of \$6.00) and the other tranche on 17 February 2009 (at a price of \$3.08).

**b** Options and SARs held by Mr Pearse are:

Number of Options	Expiry date	Exercise price
308,000	29 October 2010	\$5.57
350,000	29 October 2011	\$6.60
939,800	31 October 2012	\$7.70
2,083,300	06 November 2013	\$7.32
2,694,000	06 November 2014	\$6.83

Number of SARs	Expiry date
120,000	29 October 2011
247,036	31 October 2012

The SARs are rights to acquire shares in the Company under the Boral Senior Executive Performance Share Plan and will vest only to the extent to which the performance hurdle, which is measured by comparing the TSR of the Company to the TSR of the companies comprising the S&P/ASX 100 during the vesting period, is satisfied.

### (16) No officers are former auditors

No officer of the Company has been a partner in an audit firm, or a director of an audit company, that is an auditor of the Company during the year or was such a partner or director at a time when the audit firm or the audit company undertook an audit of the Company.

### (17) Non-audit services

Amounts paid or payable to Boral's auditor, KPMG, for non-audit services provided during the year by KPMG totalled \$420,000. These services consisted of:

Taxation compliance/advisory services in Australia	\$74,000
Taxation compliance/advisory services/assurance related services in jurisdictions other than in Australia	\$189,000
Assurance related services	\$157,000

Fees for audit and audit related services during the year totalled \$1,969,000. In accordance with advice from the Company's Audit Committee, Directors are satisfied that the provision of the above non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Also in accordance with advice from the Audit Committee, Directors are satisfied that the provision of those non-audit services, during the year, by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* because:

- Directors are not aware of any reason to question the auditor's independence declaration under section 307C of the *Corporations Act 2001*;
- the total amounts paid or payable to the auditor for non-audit services are not material;
- the nature of the non-audit services provided is not inconsistent with those requirements; and
- provision of the non-audit services is consistent with the processes in place for the Audit Committee to monitor the independence of the auditor.

### (18) Auditor's Independence Declaration

The auditor's independence declaration made under section 307C of the *Corporations Act 2001* is set out on page 42 of the Annual Review and forms part of this report.

### (19) Remuneration Report

The Remuneration Report is set out on pages 43 to 59 of the Annual Review and forms part of this report.

### (20) Proceedings on behalf of the Company

No application under section 237 of the *Corporations Act 2001* has been made in respect of the Company and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section.



**(21) Rounding of Amounts**

The Company is of a kind referred to in ASIC Class Order 98/100 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest one hundred thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

Kenneth J Moss, DIRECTOR

Rodney T Pearse, DIRECTOR  
Sydney, 11 September 2009

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001**

To: The Directors of Boral Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Rogers, PARTNER  
Sydney, 11 September 2009

## Remuneration Report

### Message from the Board

During the year, the Board undertook a fundamental review of Boral's remuneration policies and practices. The review included an independent assessment commissioned by the Remuneration Committee and was carried out with input from Ernst & Young over a five month period.

Shareholder concerns that were expressed at the 2008 Annual General Meeting about Boral's remuneration practices were considered as part of the review, together with feedback obtained through a comprehensive stakeholder engagement program undertaken subsequent to the Annual General Meeting.

The stakeholder engagement program involved members of the Remuneration Committee, other Directors of the Board and members of management meeting with representatives of retail and institutional investors and governance advisory firms. This process allowed a broad range of views to be taken into consideration by the Board in setting the standards against which to move forward.

The Board is grateful for the input received from Boral's shareholders. Your input is important to us and has helped to shape our decision-making.

We have worked to balance the needs and expectations of our stakeholders with the need to remunerate our people appropriately in a competitive marketplace. Our remuneration policies and practices are focused on linking performance and reward while taking into consideration the particular challenges that face companies, such as Boral, in cyclical industries.

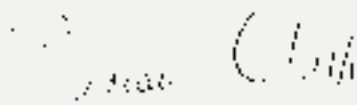
We have modified the format of this year's Remuneration Report to communicate better our approach to remuneration, the changes that have been made as part of the review and the 2009 remuneration outcomes.

We commend Boral's 2009 Remuneration Report to you.

Yours sincerely,



Ken Moss  
Chairman of the Board



Brian Clark  
Chairman of the Remuneration Committee

#### Remuneration Report table of contents

Message from the Board	43
2009 remuneration in brief	44
1 Introduction	46
2 Key issues and changes for 2009	46
Remuneration outcomes in an economic downturn	46
CEO remuneration structure and contract terms	47
Long term incentive (LTI) measures	48
3 CEO and senior executive remuneration	49
Remuneration strategy	49
Executive remuneration structure	50
Employment contract details	53
Company performance outcomes	54
Long term incentives granted and movement during the year	57
Total remuneration	58
4 Non-executive Directors' remuneration	59

## 2009 Remuneration in Brief

The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements. This remuneration snapshot sets out the key details regarding director and senior executive remuneration for 2009 for shareholders. The full Remuneration Report provides greater detail regarding the remuneration structures, decisions and outcomes for Boral in 2009.

A number of key actions occurred during the year which have had a significant impact on Boral's remuneration structure and outcomes for 2009, and will continue to do so in 2010 and future years. In particular:

- a comprehensive review of Boral's executive remuneration structure was undertaken in response to concerns expressed by shareholders at the 2008 Annual General Meeting;
- as a result of this review a number of changes were made to Boral's remuneration policy and practices;
- the economic instability in 2008/09 impacted financial performance and reinforced the need for the Board to strike a balance between motivating and rewarding executives, and exercising appropriate restraint. The Board has made a number of tough remuneration decisions in consultation with management aimed at preserving shareholder value in this difficult economic climate; and
- the announcement of Mr Rod Pearse's retirement as Chief Executive Officer (CEO) with effect from 31 December 2009. The Board expects to announce a successor to Mr Pearse prior to the Annual General Meeting on 28 October 2009.

Each of these changes is highlighted below, and is discussed in detail in the full Remuneration Report.

### Remuneration review and restraint

Following the 2008 Annual General Meeting, the Board commenced its review of Boral's executive remuneration strategy and structure with the assistance of independent advisers Ernst & Young. This review process included extensive consultation with stakeholders, including representatives of retail and institutional investors and governance advisory firms.

The aim of the review was to ensure that Boral's remuneration structure adheres to good governance standards and reflects the industry and markets within which Boral operates.

A number of recommendations were proposed to more closely align Boral's remuneration arrangements with the expectations of shareholders and corporate governance bodies. Recommendations that have been endorsed by the Board include:

- adopting a revised comparator group for benchmarking the CEO's remuneration package which includes companies of similar size and industry to Boral;
- developing a CEO contract which reflects current best practice in terms of employment arrangements and remuneration structure;
- significantly reducing the number of re-test opportunities under the long term incentive (LTI) plan so that each grant of rights or options will only be available for vesting on three dates (reflecting performance periods of three, five and seven years); and
- adopting a stricter change of control provision in the LTI plan which only allows for waiver of the service condition where more than 50% of the Company's shares are acquired. Vesting will only occur where the performance hurdle has been met.

In addition, specific remuneration initiatives were implemented during the course of the year in response to shareholder concerns and the difficult economic conditions impacting Boral's profitability. These demonstrate restraint in executive remuneration and include:

- a salary "freeze" for the CEO, Management Committee and other senior executives from 1 September 2008 (when the 2007/08 adjustments took effect) to September 2010;
- the CEO and Management Committee volunteering to forgo short term incentive (STI) entitlements for the 2008/09 financial year – despite their contractual entitlement to receive an STI award; and
- a "freeze" on Directors' fees from July 2008 to July 2010.

These actions demonstrate the Board's and management's commitment to exercising restraint on remuneration in challenging conditions, and to lead by example.

## CEO and Board transition

On 25 June 2009, Mr Rod Pearse announced he will be retiring on 31 December 2009 after 10 years as CEO and 15 years with Boral.

Details of Mr Pearse's retirement arrangements are set out in the full Remuneration Report. Shareholders approved the payment of termination benefits to Mr Pearse at the 2004 Annual General Meeting. Mr Pearse has elected to limit his STI entitlement for the 2009/10 year by forgoing the component of his STI related to his financial objective (which accounts for 67% of this incentive). This will also reduce his approved end of term restraint payment to a level significantly lower than would be his likely entitlement under his contract.

The remuneration arrangements for the new CEO will differ from those in place for Mr Pearse, both as a result of recommendations made through the remuneration review and in light of developments in corporate governance and market practice since the Company entered into the service agreement with Mr Pearse in 2004. Remuneration arrangements for the new CEO will be disclosed when an appointment is made.

To ensure stability during the CEO transition period, it is intended that Dr Ken Moss will continue as Boral's Chairman until May 2010 subject to his re-election. Dr Bob Every has been appointed Deputy Chair and will assume the role of Chairman when Dr Moss retires.

## Remuneration outcomes for CEO and senior executives

Details of the CEO and Management Committee remuneration, prepared in accordance with statutory obligations and accounting standards, are contained on page 58 of the Remuneration Report.

The table below sets out the cash and other benefits actually received by the CEO and Management Committee in the 2008/09 financial year.

In particular, the table below highlights:

- the decision by the CEO and Management Committee to forgo their STI entitlements for the 2008/09 financial year; and
- the fact that no value was derived in 2008/09 through the exercising of options or vesting of rights.

The cash and other benefits actually received by the CEO and Management Committee in 2008/09 are substantially lower than the amounts shown in the remuneration table on page 58 of the Remuneration Report. This is because the

full remuneration table includes amounts in respect of a number of benefits which did not deliver value to executives in 2008/09. For example, it includes accounting values for current and prior years' LTI grants which have not been and may never be realised as they are dependent on the market-based performance hurdles being met. Similarly, the full remuneration table includes a number of benefits in relation to the current CEO which have been expensed in the 2008/09 year according to accounting standards, including additional amortisation charges for share-based payments brought forward and an accrual for the end of service payment.

The cash and other benefits of \$3,018,300 actually received by the CEO in 2008/09 are 40% lower than that received in 2007/08.

AS\$'000s	Fixed	STI	LTI	Other <sup>a</sup>	Total
Rod Pearse	2,958.3	0	0	60.0	3,018.3
John Douglas	822.7	0	0	32.5	855.2
Mike Beardsell (from 9 April 2009)	142.0	0	0	6.6	148.6
Warren Davison (from 9 April 2009)	114.7	0	0	1.9	116.6
Nick Clark (from 1 February 2009)	227.9	0	0	3.7	231.6
Ross Batstone	735.6	0	0	29.5	765.1
Bryan Tisher	605.0	0	0	9.9	614.9
Emery Severin	894.6	0	0	648.3	1,542.9
Ken Barton	801.4	0	0	32.1	833.5
Margaret Taylor (from 17 November 2008)	312.5	0	0	16.9	329.4
Robin Town	544.0	0	0	26.8	570.8
Andrew Warburton	481.7	0	0	26.8	508.5

<sup>a</sup> Other includes parking, long service leave accruals and expatriate costs.

## 1 Introduction

The Directors of Boral Limited present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2009. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

The Remuneration Report sets out remuneration information for the Company's non-executive Directors, CEO and Management Committee, who are the key people accountable for planning, directing and controlling the affairs of the Company and its controlled entities. They include the five highest remunerated executives of the Company and Group for the 2008/09 financial year.

The people currently in these positions are listed in the table below.

### Non-executive Directors

Ken Moss	Chairman
Bob Every	Deputy Chairman
Brian Clark	Director
John Cloney	Director
Richard Longes	Director
Paul Rayner	Director
Roland Williams	Director

### Management Committee (including Chief Executive Officer)

Rod Pearce	CEO and Managing Director
John Douglas	EGM Australian Construction Materials
Mike Beardsell	EGM Cement
Warren Davison	EGM Construction Related Businesses
Nick Clark	EGM Clay & Concrete Products
Ross Batstone	EGM Plasterboard
Bryan Tisher	EGM Timber
Emery Severin	President Boral Industries USA
Ken Barton	Chief Financial Officer
Margaret Taylor	General Counsel & Company Secretary
Robin Town	GM Human Resources
Andrew Warburton	GM Corporate Development

During the 2008/09 year, the Remuneration Committee comprised four independent non-executive Directors – John Cloney (Committee Chairman), Ken Moss, Brian Clark and Bob Every. On 27 July 2009, Dr Brian Clark was appointed Chairman of the Remuneration Committee.

## 2 Key Issues and Changes for 2009

### Remuneration Outcomes in an Economic Downturn

In response to the sustained economic downturn and shareholder concerns, the Board and management made a number of significant remuneration decisions during the year to protect shareholder value.

The CEO led by example in prioritising shareholder interests by volunteering to forgo his STI and electing to take a salary freeze. Non-executive Directors have also elected a fee freeze for 2009/10. The Management Committee also agreed to forgo their entitlement to STI and to take a salary freeze.

Additional measures were taken for other senior executives and salaried staff. These actions reflect the commitment of the Board and of management to exercising appropriate restraint in the market downturn.

The increase in fixed remuneration for the CEO and Management Committee in this year's Remuneration Report reflects the annual salary review that took place in September 2008. This occurred prior to the 2008 Annual General Meeting and prior to the full extent of the market downturn being known. The salary and non-executive director fee freezes will result in no general increases occurring between September 2008 and July 2010.

Changes	Who is affected?	Comment
Freeze fixed remuneration	Current CEO Management Committee Non-executive Directors Other executives	There will be no increase in fees/fixed remuneration for the 2009/10 financial year for: <ul style="list-style-type: none"> <li>• Non-executive Directors;</li> <li>• the CEO;</li> <li>• Management Committee members;</li> <li>• other senior executives (approximately 140).</li> </ul> Fixed remuneration increases for other salaried employees in Australia and the USA (approximately 4,500 people) will be capped at 2.5% in the 2009/10 year.
STI forgone for 2008/09	CEO Management Committee	CEO and all members of the Management Committee have agreed to forgo their STI entitlements for 2008/09.



## CEO Remuneration Structure and Contract Terms

On 25 June 2009, Boral's CEO, Mr Rod Pearce, indicated he will retire on 31 December 2009 at the end of his current contract. His current five year contract followed his initial five year contract as CEO and Managing Director which commenced in January 2000.

The current CEO's contract was put in place in 2004 with several major elements approved by shareholders at the 2004 AGM. It remains in place until 31 December 2009.

Contract terms and conditions for the new CEO will be outlined in an announcement to the ASX when an appointment is made.

In setting contract terms for a new CEO, the Board has taken into account the views expressed by shareholders, governance bodies and other stakeholders.

A new benchmark comparator group has been established against which to set and review the CEO's fixed and variable remuneration. This comparator group is more closely aligned to Boral's current market position, being selected from companies within a range of Boral's market capitalisation.

The duration of the CEO's contract has been carefully considered by the Board. It is considered that a more contemporary approach is required and accordingly a rolling 12 month contract will be adopted for the new CEO which provides increased flexibility compared to the five year fixed contract in place for the current CEO.

The Board has also considered the issue of termination payments. In particular, the Board recognised that the 15 month non-compete payment that forms part of the current CEO's post-employment arrangements is not consistent with current expectations regarding termination arrangements (even though it was approved by shareholders at the 2004 AGM).

Accordingly, the new CEO will not receive a restraint payment as part of any post-employment arrangements. Termination entitlements, will vary depending on the circumstances in which termination occurs and will be set having regard to current market practice and expectations.

Changes	Who is affected?	Comment
Benchmark group for setting/reviewing remuneration	New CEO	The group includes companies from the Industrials and Materials sectors of the ASX 200 with a 12 month moving average market capitalisation between 33% and 300% of Boral's market capitalisation and with annual revenue between 33% and 300% of Boral's revenue.
Remuneration mix	New CEO	A revised mix of remuneration for the new CEO will include: <ul style="list-style-type: none"> <li>• lower fixed remuneration than that which applies for the current CEO;</li> <li>• maximum STI potential set at a lower level than applies to the current CEO; and</li> <li>• LTI component will be set at a higher level than applies to the current CEO.</li> </ul>
Contract duration	New CEO	Contract will be based on a rolling 12 month contract to provide greater flexibility to respond to market trends and changes in community and shareholder expectations.
Termination entitlements	New CEO	Termination entitlements will vary based on circumstances surrounding termination. Any separation payment will be limited to 12 months of fixed remuneration (inclusive of any payment in lieu of notice).

## Remuneration Report continued

### 2 Key issues and changes for 2009 (continued)

#### Implications of current CEO retiring

Mr Pearse's contract includes a condition which entitles him to a payment at the end of his five year contract as compensation for agreeing not to compete with Boral for a period of 15 months from 31 December 2009. This was approved by shareholders at the 2004 AGM.

This condition will be satisfied by making payments progressively to Mr Pearse during the 15 month period based on his Total Annual Reward, ie Fixed Annual Reward and Short Term Incentive. It will be paid quarterly in arrears.

Mr Pearse has elected to limit his potential STI payment for the 2009/10 year by forgoing the component of his STI related to his financial objective (67% of the incentive) and applying a target outcome for non-financial objectives (33% of the incentive). This STI will be based on the level defined in the 2004 contract and not on the increased STI level approved by the Board in 2007. This STI value will also impact his restraint payment, limiting it to a significantly lower level than would be his likely entitlement under his contract.

Upon the announcement of Mr Pearse's retirement, an expense representing 4.5 years of service (or 90% of the total estimated restraint payment) was recognised. Accordingly, an amount of \$4,043,250 is shown in the Key Management Personnel

Remuneration table on page 58 under Post Employment Benefit.

Mr Pearse's announcement of his retirement has also necessitated the accelerated expensing of the residual unexpensed value of options and rights granted to him for years 2005 to 2007. The Key Management Personnel Remuneration table on page 58 includes an amount of \$2,602,920 for Share-based Payments for this accelerated expense.

As shown in the table on page 58, Mr Pearse's total remuneration for 2008/09 excluding these end of service costs which were approved by shareholders was \$4,865,400.

Any unexercised options and unvested rights at the time of Mr Pearse's retirement will continue to be subject to the performance hurdle until the normal expiry – seven years from date of grant. It is important to note that these unvested rights and options may never vest if Boral's TSR does not meet the hurdle rate. Options issued from 2005-2007 had exercise prices between \$6.83 and \$7.70. Therefore, to provide value to Mr Pearse, Boral's TSR needs to be in the top half of the ASX 100 comparator group and the share price needs to exceed the exercise price. If this occurs, Boral shareholders will also receive substantial benefit.

### Long Term Incentive (LTI) Measures

Long term incentives deliver benefits to executives if the Company performs well. The Board has considered a range of performance measures for rights and options and has decided to retain relative total shareholder return (TSR) as the single performance measure. The comparator group for Boral's relative TSR hurdle is the ASX 100.

While the Board considered other performance measures, such as earnings per share growth and return on assets, these alternative measures present challenges regarding target setting in a cyclical industry.

Relative TSR is market-based, reflects share price growth and dividend payments and provides a direct link between shareholder return and executive reward.

The testing regularity of the LTI hurdle was reviewed to better reflect market practice. The Board has changed this from continuous testing during the three to seven year vesting period (subject to a 10 trading day minimum requirement) to testing at three specific test dates based on three, five and seven year performance periods using the volume weighted average share price during the 60 trading days prior to the test date to determine relative TSR performance. This applies to the LTI grant made in 2008 and to subsequent grants.

In addition, the rules for early vesting of LTIs upon a change of control of the Company were made stricter.

Changes	Who is affected?	Comment
Performance condition	All participants in LTI program	Relative TSR has been retained as the single performance measure and reduced testing opportunities align with market practice. The 2008 LTI grant and future grants include only three testing dates at which LTIs may vest (based on three, five and seven year performance periods). This retains the focus of ensuring executives are rewarded for delivering sustained returns to shareholders over the long-term, and more closely reflects market practice and the recommendations of governance bodies while still recognising that Boral operates in a cyclical industry.
Change of control treatment	All participants in LTI program	The change of control definition in the LTI Plan Rules has been made stricter, and is only activated when more than 50% of shares in the Company are acquired.  A change of control will only result in waiver of the service condition attached to the LTI grants; the performance condition must still be satisfied for vesting to occur at the time of a change in control.

## 3 CEO and Senior Executive Remuneration

### Remuneration Strategy

The Board has set a remuneration strategy that supports and drives the achievement of Boral's strategic objectives. By establishing a remuneration structure that motivates and rewards executives for achieving targets linked to Boral's business objectives, the Board is confident that its remuneration strategy focuses Boral's people on creating superior shareholder wealth in line with the Company's strategic intent.

The diagram below illustrates how Boral's remuneration strategy and the structures the Board has put in place to achieve this strategy align with the Company's business objectives.

#### Boral's Strategic Business Objectives

Exceed the weighted average cost of capital (WACC) on a sustainable basis through the building cycle

Deliver better financial returns than the competition in comparable markets

Deliver superior total shareholder returns

Achieve superior returns in a sustainable way



#### Remuneration Components

##### Fixed Remuneration

- provides "predictable" base level of reward
- set at market median (for local geographic market) using external benchmark data
- varies based on employee's experience, skills and performance
- consideration given to both external and internal relativities

##### Short Term Incentive

- set at market median for target performance with potential for top quartile reward when stretch outcomes are achieved
- non-financial targets linked to critical sustainability measures (eg safety, business improvement, sales outcomes, environmental performance, HR outcomes)
- financial targets linked to budgeted profit after funding (PAF) at group, division, and business unit level
- specific strategic and operational targets relative to competitors where appropriate (eg product development targets)

##### Long Term Incentive

- set at market median
- delivered in equity to align executives with shareholder interests
- tested three times after three, five and seven years
  - a performance period reflecting the typical building cycle
- no value derived unless returns to shareholders exceed market median
- full vesting only where Boral achieves top quartile performance



#### Boral's Remuneration Strategy

##### Attract and retain high calibre executives by:

- rewarding competitively in the markets in which Boral operates
- providing a balance of fixed and "at risk" remuneration

##### Align executive rewards to Boral's performance by:

- assessing rewards against financial and non-financial business measures
- making short-term and long-term components of remuneration "at risk" based on performance

### 3 CEO and senior executive remuneration (continued)

Underpinning Boral's remuneration strategy are a number of principles:

#### Standardised vs. tailored remuneration arrangements

Remuneration strategy and frameworks will be consistent across the executive and senior management group. Limited tailoring may occur to take into account the unique challenges and differences between roles.

#### Purpose of each element of remuneration

**Fixed remuneration:** Remunerate executives in line with market benchmarks for effective completion of company and specific accountabilities and behaving in accordance with Boral's values taking into account individual, team and business unit performance and any specific retention needs.

**Short term incentives:** Reward executives for achieving annual financial, safety, strategic and operational targets measured at individual, business unit, divisional and/or Boral levels.

**Long term incentives:** Reward senior executives for Boral performance over the duration of the Boral business cycle, provide a retention element and provide equity exposure.

#### Benchmarking remuneration

The primary reference for remuneration benchmarking will be Australian listed companies in the Industrials and Materials sector.

For selected senior executives (CEO and Management Committee), pay levels for comparable roles in appropriate overseas jurisdictions will also be considered as a secondary reference to the Australian market data.

Consideration will be given to sizing factors including market capitalisation and business unit revenue. Complexity (such as number of employees and geographies) will be referenced through the job grading system.

## Executive Remuneration Structure

As part of the remuneration review, comprehensive external benchmarking and review of Boral's remuneration structure as it relates to fixed salaries, short term incentives (STI) and long term incentives (LTI) for executives was undertaken.

Specifically, the Board considered:

- the balance of fixed, short-term and long-term components at the various levels of management;
- the performance measures used for STI and LTI;
- the minimum, target and stretch performance levels for STI; and
- the structure of the STI and LTI plans.

In relation to the performance measures used for STIs, a range of financial measures was considered including earnings per share, earnings before interest and tax, profit after tax, and profit after funding (PAF). It was concluded that PAF, which is a measure of profit related to assets employed, remains the most appropriate financial measure for Boral. The review also concluded that non-financial measures such as safety, strategic and operational targets are appropriate.

Minimum, target and stretch performance levels for the STI will remain under review by the Board. Stretch outcomes typically require target to be exceeded by at least 20% while the

#### Focus on market vs. internal relativities

Consideration will be given to both market and internal relativities.

Market will be the primary reference through its application to the salary ranges attached to the job grading system.

The job grading system will be applied to individual roles to ensure appropriate internal relativities.

As required, specific position matches may be sought for any jobs or functions where there is a high demand for talent or unique market considerations.

#### Market positioning

Executives' fixed remuneration is referenced to the market median. A range around the median will provide flexibility to recognise the capability, contribution, value to the organisation, performance and tenure of an individual.

Executives' target total remuneration (fixed remuneration, target short term plus long term incentives) will be referenced to the market median when setting remuneration elements. For the STI element, achievement of stretch targets is intended to provide reward at the 75th percentile of the market for positions of similar size.

#### Remuneration mix

The variable remuneration mix for CEO and senior executives will have a greater focus on long term incentive and move towards a short term incentive focus for lower job grades.

The remuneration of Directors, executives and staff is reviewed by the Board with specific oversight and direction provided by the Remuneration Committee. The Committee seeks advice from independent specialist remuneration advisers.

minimum performance level is typically 10% below target, ie below this no STI payment results.

#### Remuneration mix

Boral's executive remuneration is structured as a mix of fixed annual remuneration and variable remuneration, through "at risk" short term and long term incentive components. The mix of these components varies for different management levels.

For the current CEO and Management Committee the proportions are:

	Percent of total remuneration at target performance		
	Fixed annual remuneration	At risk	
		STI	LTI
CEO/MD	36.5%	36.5%	27%
Management Committee <sup>1</sup>	50 – 59%	21 – 27%	21 – 26%

<sup>1</sup> These percentages vary between individuals. This is a range for the group.

While fixed remuneration is designed to provide a predictable “base” level of remuneration, the short term and long term incentive program rewards executives when certain

pre-determined performance conditions are met or exceeded. Both schemes have minimum periods of employment that must also be met.

## Fixed Annual Remuneration

<b>What is included in fixed remuneration?</b>	Fixed annual remuneration includes base salary, non-cash benefits such as provision of a vehicle (including any FBT charges) and superannuation contributions.
<b>When and how is fixed remuneration reviewed?</b>	Remuneration levels are reviewed annually by the Remuneration Committee through a process that ensures an executive’s fixed remuneration remains competitive in the market-place and reflects an employee’s skills, experience, accountability and general performance.
<b>What market benchmark is applied?</b>	External benchmark market data from Hay Group’s Industrial and Service sector is used to determine remuneration midpoint levels of fixed remuneration for Management Committee and other executives.

## Short Term Incentive (STI)

<b>What is the STI plan?</b>	The STI is an “at risk” cash payment awarded annually based on performance against pre-set objectives.
<b>Who participates in the STI plan?</b>	STIs are provided to employees who have significant influence over the annual financial outcomes of business units. Approximately 6% of Boral employees participate in the STI plan.
<b>Why does the Board consider the STI an appropriate incentive?</b>	The STI plan is designed to put a proportion of executive remuneration at risk against meeting: <ul style="list-style-type: none"> <li>• financial targets linked to annual budget performance metrics; and</li> <li>• non-financial targets linked to the measures that drive long-term sustainability.</li> </ul>
<b>Are both target and stretch performance conditions set?</b>	Yes. The performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to executives.
<b>What is the value of the STI opportunity?</b>	The CEO has a target reward set at 100% of fixed remuneration. The members of the Management Committee have a target reward of 35 – 55% of fixed remuneration. The maximum STI opportunity is set at double the target reward. This is benchmarked at the 75th percentile of the market based on external data. Stretch outcomes require results which significantly exceed budget, and are only achieved in exceptional circumstances.
<b>What are the performance conditions?</b>	The STI performance measures vary depending on the individual executive’s position, and include both financial and non-financial measures.

Financial measures	Non-financial measures
67% of STI for CEO and Executive General Managers	33% of STI for CEO and Executive General Managers
50% of STI for other executives	50% of STI for other executives
This is measured at Group, Divisional and business unit levels, and is based on profit after funding.	These are linked to critical business sustainability measures including: <ul style="list-style-type: none"> <li>• safety</li> <li>• cost reduction</li> <li>• environment and climate change</li> <li>• customer satisfaction</li> <li>• project outcomes</li> <li>• succession planning</li> <li>• strategy development.</li> </ul>

<b>Why were these conditions chosen?</b>	These STI performance measures have been selected because they are directly linked to the strategic direction of the Company and promote continued profitability that is sustainable over the long term.
<b>How is performance measured?</b>	Targets are set at the beginning of the year and performance against these targets is determined after the end of the financial year. Abnormal or unanticipated factors which may have affected the Company’s performance during the year will only be considered in extraordinary circumstances and with Board approval.
<b>Who assesses performance against targets?</b>	The CEO assesses the performance of members of the Management Committee and confers with the Remuneration Committee and the Board regarding his assessment. The Chairman in consultation with the Remuneration Committee and the Board assesses the performance of the CEO against the objectives set at the beginning of the year.

## Remuneration Report continued

### 3 CEO and senior executive remuneration (continued)

#### Long Term Incentive (LTI)

<b>What is the purpose of the LTI plan?</b>	The LTI plan aligns senior executive reward with shareholder value, by tying this component of remuneration to the achievement of performance conditions which underpin sustainable long-term growth.
<b>What form does the LTI take?</b>	The LTI is granted annually as either options and/or rights over ordinary Boral shares.
<b>Who participates in the LTI plan?</b>	LTIs are provided to senior executives who are considered by the Board to have significant influence over the long-term outcomes of Boral. Only 1% of employees participate in the LTI plan.
<b>Is there a limit on the number of equity units issued?</b>	The number of rights or options that may be offered to executives when aggregated with the number of shares held in the Company's Employee Share Plan, Non-Executive Directors' Share Plan, Senior Executive Option Plan and Senior Executive Performance Share Plan and the number of shares that would be issued on exercise or vesting of outstanding LTIs is not permitted to exceed 5% of the total number of issued shares at the time of the offer.
<b>What is the value of the LTI opportunity?</b>	<p>The size of grants under the LTI plan is set as a percentage of fixed annual remuneration (75% for the current CEO and from 35 – 50% for members of the Management Committee).</p> <p>The number of rights or options granted is calculated based on the Fair Market Value of the right or option as calculated by an independent valuer (PricewaterhouseCoopers) using a Monte Carlo simulation analysis at the date of grant.</p> <p>Participants in the LTI plan will not derive any value from their LTI grants unless they complete a minimum service period and challenging performance hurdles are achieved.</p>
<b>How is reward delivered under the LTI program?</b>	<p>Each right or option granted under the LTI plan is an entitlement to a fully-paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance measured at three, five and seven years. If the vesting conditions are satisfied, the rights and options vest and the underlying shares may be delivered to the participating executive.</p> <p>The Board determines the mix of options and rights for each grant annually. For the grant made in 2008/09, the entire LTI award was delivered in the form of rights.</p>
<b>Do executives pay for the LTI instruments?</b>	<p>Rights and options are offered at no cost to the senior executive at the time of the grant.</p> <p>No price is payable upon vesting of rights; however, an exercise price (set at the time of the grant) is payable upon exercise of an option.</p> <p>The exercise price is determined at date of grant based on the average closing price of Boral shares over the five trading days following the AGM.</p>
<b>What rights are attached to LTI instruments?</b>	Rights and options do not carry voting or dividend rights; however, shares allocated upon vesting of rights and exercise of options will carry the same rights as other ordinary shares.
<b>Are there restrictions on dealing with shares allocated under the LTI plan?</b>	<p>Boral has a policy on share trading which applies to Directors, officers and senior executives.</p> <p>This policy prohibits executives entering into hedge and other derivative transactions regarding options or rights granted to them as LTIs.</p> <p>Shares allocated to participants upon vesting of their LTIs may only be dealt with in accordance with the Share Trading Policy.</p>
<b>What happens when an executive leaves the Company?</b>	Generally, unvested options or rights will lapse, except where the executive ceases employment due to retirement after the age of 62 or when the Board at its sole discretion determines otherwise.
<b>What is the performance hurdle?</b>	<p>The performance hurdle for the LTI plan is tied to the Company's relative total shareholder return (TSR).</p> <p>TSR represents the change in capital value of a listed entity's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value. The compound growth in the Company's TSR over the performance measurement period is compared with the TSR performance of all other companies comprising the ASX 100 on the date of grant. The Board has discretion to adjust the comparator group to take into account events including but not limited to, takeovers or mergers that might occur during the performance period.</p>

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## Long Term Incentive (LTI)

### How is TSR measured?

The performance hurdle for the 2008 and subsequent grants is measured on three test dates, reflecting performance periods of three, five and seven years. This testing frequency is designed to span a typical building industry cycle so that executive incentive and reward are linked to shareholder reward.

In assessing whether the performance hurdles have been met, the Company receives independent data which sets out the Company's TSR growth and that of each company in the comparator group. The level of TSR growth achieved by the Company is given a percentile ranking having regard to its performance compared with the performance of other companies in the comparator group (the highest ranking company being ranked at the 100th percentile).

Opening and closing share prices are calculated using the volume weighted average price over the 60 days up to and including the first and last day of the performance period (as applicable). This "smoothing" of TSR reduces the impact of share price volatility.

The percentage of options and rights that vest will depend on Boral's relative TSR ranking over the measurement period, as set out in the table below:

Boral's TSR rank in ASX 100	% of options/rights that vest
Below 50th percentile	Nil
Between 50th and 74th percentile	Progressive vesting from 50%–98% (2% increase for each higher percentile ranking)
At or above 75th percentile	100%

Any options and rights that do not vest based on performance over the initial three year measurement period, will be available for vesting based on performance over five year and seven year measurement periods. Options and rights that have not vested following the seven year measurement period automatically lapse.

Given that the Company's comparative TSR performance is tested over a minimum three year period, satisfaction of the performance condition attaching to the rights granted for 2008/09 will not be measured until the 2011/12 financial year.

### Why does the Company think the TSR hurdle is appropriate?

Relative TSR has been chosen as a performance hurdle because it provides a direct link between executive reward and shareholder return. Executives will not derive any value from the LTI component of their remuneration unless the Company's performance is at least at the median of the ASX 100.

Other measures such as earnings per share growth and return on assets were considered as part of the comprehensive review of executive remuneration; however, it was acknowledged that these alternative measures present challenges regarding target setting over the long term in a cyclical industry. Accordingly, it was decided that relative TSR be retained as the performance measure for the LTI plan (with other financial metrics captured under the STI targets).

## Employment Contract Details

The key conditions of the service contract for the CEO, Mr Rod Pearse, are summarised on pages 46 to 48 of this Report.

Key features of the employment arrangements for members of the Management Committee include:

- employment continues until terminated by either the executive or Boral;
- notice periods range from one to three months;
- there are no specific termination entitlements provided for under the contracts; payments will be made on termination to satisfy Boral's legal obligations and meet fair market practices.

A limited number of US senior executives have entered Executive Transition Agreements with Boral Industries Inc. pursuant to which benefits (of up to two times annual salary plus STI) are payable in the event of termination in certain circumstances and within a specified period following a change of control of Boral Limited or Boral Industries Inc. These payments are consistent with market practice for US executives.

No sign-on payments were made to Management Committee members during the year.

**3 CEO and senior executive remuneration (continued)**

**Company Performance Outcomes**

**Company performance**

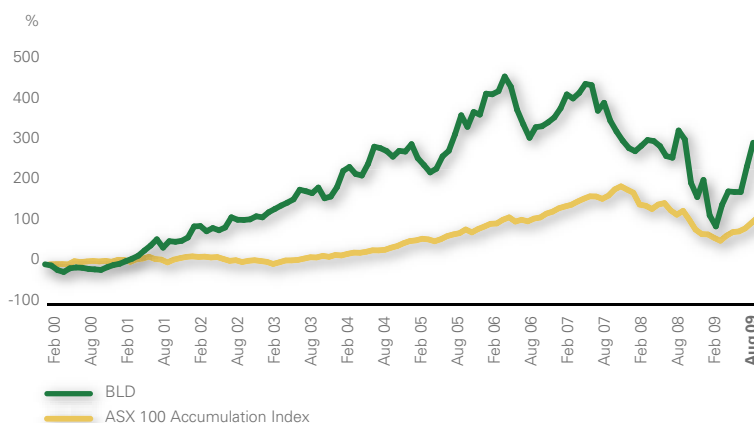
The chart below demonstrates how the Company's total shareholder return (TSR), which includes share price movements and dividends, has performed relative to the ASX 100 Accumulation Index.

In the nine and a half years since the Company's demerger to 31 August 2009, Boral has achieved an annual TSR of 16%

which is above the median of ASX 100 companies over the same period.

Strong earnings improvement in the 2000 to 2006 period established a platform upon which the Company has been able to maintain high long-term returns for shareholders despite the economic downturn experienced subsequently.

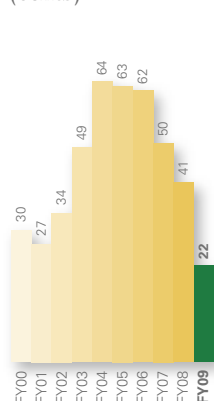
BLD vs ASX 100 Accumulation Index TSR since demerger



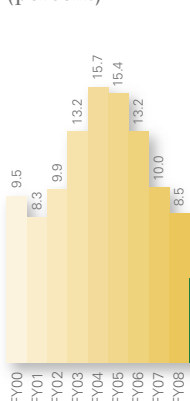
The effect of the business cycle is demonstrated in the charts below which show the Company's earnings per share, return on equity and full year dividends since 2000.

Boral's efforts to improve the safety of its workforce have resulted in a significant reduction in the Lost Time Injury Frequency Rate over the last 10 years.

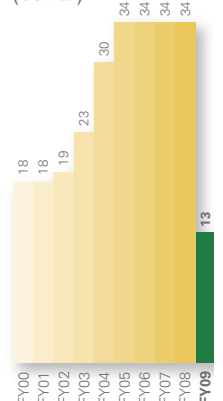
Earnings per share<sup>1</sup> (cents)



Return on equity<sup>1</sup> (percent)



Dividends per share (cents)



**Short term performance – 2008/09**

The Company's financial performance during the 2008/09 year was below expectations and the prior year due mainly to the ongoing impact of the poor market conditions being experienced throughout the world.

Despite these conditions, our business performed well in the following areas:

- improved safety outcomes – significant reduction in injury frequency rate and employee hours lost;

- cost reduction programs delivered significant savings in compressible costs;
- increased pricing outcomes in most businesses despite significant volume and economic pressures;
- improved cash flow performance which resulted in reduced gearing levels in the second half to the midpoint of our target range of 40 – 70%;
- improved sustainability performance across the Company.

<sup>1</sup> Excludes financial impact of significant items.



Current year performance is rewarded in the form of an STI award recognising both financial and non-financial/individual performance.

STI awards in 2009 were generally much lower than 2008 for most executives. As indicated, the CEO and Management Committee have voluntarily forgone their STI entitlement and other senior executives have much lower STI reward outcomes.

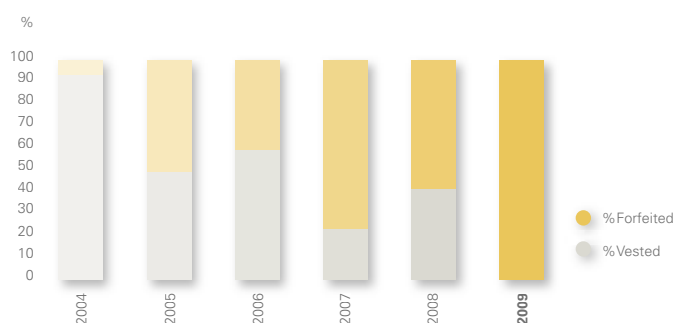
The CEO's STI award expressed as % Vested vs % Forfeited demonstrates a clear link between performance and reward.

Since 2004, the actual STI outcomes for the CEO, expressed as a percentage of his possible maximum outcome, have dropped in line with the lower company performance against expectation. This is a fall from 93% in 2004 to 0% in 2009. Put another way, the potential short term incentive Mr Pearse has forfeited has increased over this period from 7% to 100%.

A similar downward trend in STI award payments has occurred for members of the Management Committee in recent years.

Specific details are included in the Short Term Incentive Vested/ Forfeited table below.

CEO short term incentive



		Short term incentive		
		Cash bonus A\$000's	Vested %	Forfeited %
<b>Executives</b>				
R T Pearse	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	2,270.0	41%	59%
J M Douglas	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	373.6	54%	46%
M G Beardsell	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
W R Davison	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
N J Clark	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
W R Batstone	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	290.2	56%	44%
B M Tisher	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	324.6	77%	23%
E S Severin	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	243.7	38%	62%
K M Barton	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	292.6	52%	48%
M K Taylor	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
R J Town	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	154.4	43%	57%
A I Warburton	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	136.8	43%	57%
<b>Former Executives</b>				
P J Jobe	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	269.4	39%	61%
K A Mitchelhill	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	383.2	69%	31%
M B Scobie	<b>2009</b>	<b>0.0</b>	<b>0%</b>	<b>100%</b>
	2008	182.1	47%	53%
<b>Total</b>	<b>2009</b>	<b>0.0</b>		
Total	2008	4,920.6		

## Remuneration Report

### 3 CEO and senior executive remuneration (continued)

#### Long-term performance

Boral's LTI grant in 2008 was awarded in the form of rights. In prior years LTI grants comprised a mix of rights and options. The primary conditions that apply to these grants include a minimum vesting period of three years with a total life of seven years and a market-based performance hurdle which measures Boral's TSR relative to the TSR of companies that comprise the ASX 100 at grant date (the comparator group). Testing against the hurdle is on three specific dates after performance periods of three, five and seven years.

As indicated above, Boral's TSR performance has been strong when measured over the long term; however, in recent years Boral's TSR has underperformed the comparator group.

The LTI grants in 2000, 2001 and 2002 all reached a relative TSR measure of greater than the 75th percentile and 100% have vested. These grants delivered real benefits to executives at a time when shareholders also benefited from substantial share price and dividend growth.

The 2003 grant has reached 58% vesting and the 2004 and 2005 grants have not yet reached the minimum level required for vesting. The 2006, 2007 and 2008 grants have not yet reached a measurement date.

The LTI grants from October 2003 onwards are within the seven year life and the performance hurdle may still be reached before they lapse.

The table below demonstrates the level of performance which has been achieved thus far for each of the LTI grants since 2000.

Grant date	Expiry date	Option exercise price	Mix of options/rights <sup>a</sup>	Performance hurdle achievement
Dec 00	Dec 05	\$1.97	100% options	100%
Nov 01	Nov 06	\$3.35	100% options	100%
Nov 02	Nov 09	\$4.12	100% options	100%
Oct 03	Oct 10	\$5.57	100% options	58%
Oct 04	Oct 11	\$6.60	50% options 50% rights	0%
Oct 05	Oct 12	\$7.70	50% options 50% rights	0%
Nov 06	Nov 13	\$7.32	50% options 50% rights	1st test date Nov 2009
Nov 07	Nov 14	\$6.83	50% options 50% rights	1st test date Nov 2010
Nov 08	Nov 15	N/A	100% rights	1st test date Nov 2011

<sup>a</sup> Grants to Mr R Pearse in 2006 and 2007 comprised 100% options.

## Long Term Incentives Granted and Movement During the Year

Details of options and rights granted and the movement of options and rights during the year held by the CEO and the Management Committee are:

		Balance at 1 July 2008	Granted during the year as remuneration <sup>a</sup>	Value of grant <sup>b</sup>	Lapsed/ cancelled during the year	Value of options and rights lapsed/ cancelled <sup>c</sup>	Balance at 30 June 2009
		Number	Number	\$	Number	\$	Number
<b>Executives</b>							
R T Pearse	Options	6,375,100	–	–	–	–	6,375,100 <sup>d</sup>
	Rights	367,036	–	–	–	–	367,036 <sup>e</sup>
J M Douglas	Options	303,252	–	–	–	–	303,252
	Rights	74,235	103,267	384,153	–	–	177,502
M G Beardsell	Options	131,500	–	–	–	–	131,500
	Rights	59,688 <sup>f</sup>	–	–	–	–	59,688
W R Davison	Options	132,900	–	–	–	–	132,900
	Rights	44,664 <sup>f</sup>	–	–	–	–	44,664
N J Clark	Options	96,900	–	–	–	–	96,900
	Rights	42,831 <sup>f</sup>	–	–	–	–	42,831
W R Batstone	Options	351,470	–	–	–	–	351,470
	Rights	79,013	74,624	277,601	–	–	153,637
B M Tisher	Options	256,500	–	–	(86,000)	(94,600)	170,500
	Rights	45,164	60,576	225,343	–	–	105,740
E S Severin	Options	621,200	–	–	–	–	621,200
	Rights	117,610	108,333	402,999	–	–	225,943
K M Barton	Options	390,000	–	–	–	–	390,000
	Rights	77,388	85,694	318,782	–	–	163,082
M K Taylor	Options	–	–	–	–	–	–
	Rights	–	–	–	–	–	–
R J Town	Options	221,216	–	–	–	–	221,216
	Rights	50,419	48,360	179,899	–	–	98,779
A I Warburton	Options	112,000	–	–	–	–	112,000
	Rights	25,099	42,339	157,501	–	–	67,438
<b>Former Executives</b>							
P J Jobe	Options	399,940	–	–	–	–	399,940
	Rights	89,121	–	–	–	–	89,121
K A Mitchelhill	Options	359,180	–	–	–	–	359,180
	Rights	81,732	–	–	–	–	81,732
M B Scobie	Options	269,176	–	–	–	–	269,176
	Rights	58,595	52,470	195,188	–	–	111,065

<sup>a</sup> No options or rights were granted to the CEO during the year.

No options were granted to the Management Committee during the year.

Rights were granted to the Management Committee on 3 November 2008 with the earliest vesting date on 3 November 2011 and the last vesting date (expiry date) of the rights on 3 November 2015.

<sup>b</sup> The fair value of rights granted on 3 November 2008, calculated using a Monte Carlo simulation analysis, is \$3.72 per right.

<sup>c</sup> Value is calculated at fair market value of option on date of grant.

<sup>d</sup> Options granted to Mr R Pearse comprise 700,000 granted on 29 October 2003 (392,000 exercised to date), 350,000 granted on 29 October 2004, 939,800 granted on 31 October 2005, 2,083,300 granted on 6 November 2006 and 2,694,000 on 6 November 2007.

<sup>e</sup> Rights granted to Mr R Pearse comprise 120,000 granted on 29 October 2004 and 247,036 granted on 31 October 2005.

<sup>f</sup> Balance at 1 July 2008 includes rights granted in the 2008/09 year prior to commencing as a Key Management Personnel.

No options were exercised or rights vested during the year.

## Remuneration Report continued

## 3 CEO and senior executive remuneration (continued)

## Total Remuneration

A\$000's		Short term			Post employment		Share-based payment <sup>b</sup>		Other long term	Total	Total excluding end of service costs <sup>g</sup>	
		Cash salary	Short term incentive	Non-monetary benefits <sup>h</sup>	Super-annuation	End of service	Options	Rights				
<b>Executives</b>												
	R T Pearse CEO and Managing Director	<b>2009</b>	<b>2,461.3</b>	<b>0.0</b>	<b>19.0</b>	<b>497.0</b>	<b>4,043.2<sup>a</sup></b>	<b>3,927.9<sup>c</sup></b>	<b>522.1<sup>c</sup></b>	<b>41.0</b>	<b>11,511.5</b>	<b>4,865.4</b>
		2008	2,253.3	2,270.0	18.1	455.0	0.0	1,288.9	339.5	37.5	6,662.3	6,662.3
	J M Douglas Executive General Manager, Australian Construction Materials	<b>2009</b>	<b>808.8</b>	<b>0.0</b>	<b>19.0</b>	<b>13.9</b>	<b>0.0</b>	<b>69.5</b>	<b>120.1</b>	<b>13.5</b>	<b>1,044.8</b>	<b>1,044.8</b>
		2008	740.8	373.6	18.1	13.4	0.0	61.2	61.2	12.3	1,280.6	1,280.6
	M G Beardsell Executive General Manager, Cement (appointed 9 April 2009)	<b>2009</b>	<b>138.9</b>	<b>0.0</b>	<b>4.3</b>	<b>3.1</b>	<b>0.0</b>	<b>6.4</b>	<b>9.7</b>	<b>2.3</b>	<b>164.7</b>	<b>164.7</b>
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	W R Davison Executive General Manager, Construction Related Businesses (appointed 9 April 2009)	<b>2009</b>	<b>111.6</b>	<b>0.0</b>	<b>0.0</b>	<b>3.1</b>	<b>0.0</b>	<b>5.1</b>	<b>7.4</b>	<b>1.9</b>	<b>129.1</b>	<b>129.1</b>
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	N J Clark Executive General Manager, Clay & Concrete Products (appointed 1 February 2009)	<b>2009</b>	<b>222.1</b>	<b>0.0</b>	<b>0.0</b>	<b>5.8</b>	<b>0.0</b>	<b>9.0</b>	<b>12.8</b>	<b>3.7</b>	<b>253.4</b>	<b>253.4</b>
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	W R Batstone Executive General Manager, Plasterboard	<b>2009</b>	<b>629.0</b>	<b>0.0</b>	<b>19.0</b>	<b>106.6</b>	<b>0.0</b>	<b>72.5</b>	<b>109.0</b>	<b>10.5</b>	<b>946.6</b>	<b>946.6</b>
		2008	583.4	290.2	18.1	98.9	0.0	64.9	64.8	9.7	1,130.0	1,130.0
	B M Tisher Executive General Manager, Timber	<b>2009</b>	<b>591.1</b>	<b>0.0</b>	<b>0.0</b>	<b>13.9</b>	<b>0.0</b>	<b>54.2</b>	<b>83.8</b>	<b>9.9</b>	<b>752.9</b>	<b>752.9</b>
		2008	542.7	324.6	0.0	13.4	0.0	45.8	45.8	9.1	981.4	981.4
	E S Severin President, Boral Industries USA	<b>2009</b>	<b>791.8</b>	<b>0.0</b>	<b>635.1</b>	<b>102.8</b>	<b>0.0</b>	<b>108.3</b>	<b>161.4</b>	<b>13.2</b>	<b>1,812.6</b>	<b>1,812.6</b>
		2008	590.5	243.7	255.5	102.8	0.0	97.1	97.1	9.8	1,396.5	1,396.5
	K M Barton Chief Financial Officer	<b>2009</b>	<b>787.5</b>	<b>0.0</b>	<b>19.0</b>	<b>13.9</b>	<b>0.0</b>	<b>71.6</b>	<b>113.6</b>	<b>13.1</b>	<b>1,018.7</b>	<b>1,018.7</b>
		2008	684.3	292.6	18.1	13.4	0.0	63.7	63.7	11.4	1,147.2	1,147.2
	M K Taylor General Counsel & Company Secretary (appointed 17 November 2008)	<b>2009</b>	<b>303.8</b>	<b>0.0</b>	<b>11.9</b>	<b>8.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.0</b>	<b>329.4</b>	<b>329.4</b>
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	R J Town General Manager, Human Resources	<b>2009</b>	<b>465.1</b>	<b>0.0</b>	<b>19.0</b>	<b>78.9</b>	<b>0.0</b>	<b>46.3</b>	<b>70.0</b>	<b>7.8</b>	<b>687.1</b>	<b>687.1</b>
		2008	433.1	154.4	18.1	73.5	0.0	41.4	41.4	7.2	769.1	769.1
	A I Warburton General Manager, Corporate Development	<b>2009</b>	<b>467.8</b>	<b>0.0</b>	<b>19.0</b>	<b>13.9</b>	<b>0.0</b>	<b>22.9</b>	<b>43.7</b>	<b>7.8</b>	<b>575.1</b>	<b>575.1</b>
		2008	428.3	136.8	18.1	13.4	0.0	20.1	20.1	7.1	643.9	643.9
<b>Former Executives</b>												
	P J Jobe Executive General Manager, Cement (resigned 9 April 2009)	<b>2009</b>	<b>617.4</b>	<b>0.0</b>	<b>14.7</b>	<b>10.8</b>	<b>0.0</b>	<b>10.8<sup>d</sup></b>	<b>10.8<sup>d</sup></b>	<b>10.3</b>	<b>674.8</b>	<b>780.6</b>
		2008	746.6	269.4	18.1	13.4	0.0	73.5	73.4	12.4	1,206.8	1,206.8
	K A Mitchelhill Executive General Manager, Clay & Concrete Products (resigned 31 January 2009)	<b>2009</b>	<b>417.5</b>	<b>0.0</b>	<b>11.1</b>	<b>8.1</b>	<b>0.0</b>	<b>12.1<sup>e</sup></b>	<b>12.1<sup>e</sup></b>	<b>7.0</b>	<b>467.9</b>	<b>532.0</b>
		2008	672.3	383.2	18.1	13.4	0.0	67.0	67.1	11.2	1,232.3	1,232.3
	M B Scobie General Manager, Corporate Services & Company Secretary (retired 31 December 2008)	<b>2009</b>	<b>249.0</b>	<b>0.0</b>	<b>9.5</b>	<b>42.2</b>	<b>0.0</b>	<b>163.3<sup>f</sup></b>	<b>358.4<sup>f</sup></b>	<b>4.1</b>	<b>826.5</b>	<b>365.2</b>
		2008	471.8	182.1	18.1	80.0	0.0	48.2	48.2	7.9	856.3	856.3
	<b>Total</b>	<b>2009</b>	<b>9,062.7</b>	<b>0.0</b>	<b>800.6</b>	<b>922.7</b>	<b>4,043.2</b>	<b>4,579.9</b>	<b>1,634.9</b>	<b>151.1</b>	<b>21,195.1</b>	<b>14,257.6</b>
	<b>Total</b>	2008	8,147.1	4,920.6	418.4	890.6	0.0	1,871.8	922.3	135.6	17,306.4	17,306.4

<sup>a</sup> Accrual of contractual payments for Mr R Pearse payable at the end of his service contract.

<sup>b</sup> The fair value of the options and SARs is calculated at the date of grant using the Monte Carlo simulation analysis. The value is allocated to each reporting period evenly over the period of five years from the grant date. The value disclosed above is the portion of the fair value of the options and SARs allocated to this reporting period.

<sup>c</sup> Includes an expense for Mr R Pearse for Options \$2,420,387 and Rights \$182,533 that would normally have been amortised over future years.

<sup>d</sup> Includes an adjustment for Mr P Jobe for Options \$-52,941 and Rights \$-52,898 that lapsed on termination or would normally have been amortised over future years.

<sup>e</sup> Includes an adjustment for Mr K Mitchelhill for Options \$-32,076 and Rights \$-32,031 that lapsed on termination or would normally have been amortised over future years.

<sup>f</sup> Includes an expense for Mr M Scobie for Options \$136,213 and Rights \$325,067 that would normally have been amortised over future years.

<sup>g</sup> Total excludes costs referred to in Notes a, c, d, e and f.

<sup>h</sup> Includes parking and expatriate costs.

Proportion of remuneration that is performance-based and which consists of options/rights is R Pearse 39%, J Douglas 18%, M Beardsell 10%, W Davison 10%, N Clark 9%, W Batstone 19%, B Tisher 18%, E Severin 15%, K Barton 18%, M Taylor 0%, R Town 17%, A Warburton 12%, P Jobe 3%, K Mitchelhill 5% and M Scobie 63%.

## 4 Non-executive Directors' Remuneration

Non-executive Directors' remuneration is reviewed annually by the full Board. This review takes account of the recommendations of the Remuneration Committee and external benchmarking of remuneration for Directors of comparable companies.

The Non-executive Directors receive fixed remuneration only which includes base remuneration (Board fees) and Committee fees. It is structured on a total remuneration basis which is paid in the form of cash and superannuation contributions.

The Directors do not receive any variable remuneration or other performance related incentives such as options or rights to shares and no retirement benefits are provided to Non-executive Directors other than superannuation contributions.

Remuneration for Non-executive Directors for the 2008/09 year was as follows:

### Base remuneration (Board fees)

\$123,000 for Non-executive Directors  
\$338,250 for the Chairman.

### Committee fees (paid in addition to base remuneration)

\$13,500 for members of Board Committees  
\$20,250 for the Chairmen of Committees.

The Board has determined that remuneration for Non-executive Directors for the 2009/10 year will be as follows:

- A zero increase in Non-executive Directors' remuneration until 1 July 2010.
- No increase in the maximum amount of Non-executive Directors' remuneration to be sought from shareholders. The current maximum amount of \$1,250,000 per annum was approved by shareholders at the Company's 2006 Annual General Meeting.

The Board previously agreed that as a matter of guidance (rather than by way of requirement), a minimum proportion of Non-executive Directors' fixed remuneration should be sacrificed to purchase Boral shares through the Non-executive Directors' Share Plan. The appropriate minimum proportion was set at 10%.

This guidance has been suspended until changes to the taxation of employee share plans recently announced by the Federal Government have been clarified and the legislative impact is fully known.

All current Non-executive Directors have been allocated shares in accordance with the terms and conditions of the Non-executive Directors' Share Plan. In summary, the Plan provides that:

- The Company pay to the Plan the percentage of fees that a Director chooses.
- The amount paid into the Plan be applied to purchase the Company's ordinary shares on ASX at market price during an approved trading period. Shares acquired using Director fees are allocated to the Director but registered in the name of the trustee.
- Dividends including any franking credits may be distributed to the Director in respect of shares notionally allocated to them.
- Shares notionally allocated to a Director must be held on trust for that Director for at least 10 years.
- Upon retirement from office or death of a Director, all shares allocated to that Director will be transferred to him or her or, in the event of death, to his or her personal representative by the trustee.

The remuneration of the Non-executive Directors is set out in the table below.

A\$'000s		Short term	Post employment	Share based payment	Total	
		Board and Committee fees	Superannuation	Share Plan		
<b>Directors</b>						
	J B Clark	<b>2009</b>	<b>119.5</b>	<b>10.2</b>	<b>6.8</b>	<b>136.5</b>
		2008	105.3	9.5	12.7	127.5
	E J Cloney	<b>2009</b>	<b>125.4</b>	<b>10.7</b>	<b>7.2</b>	<b>143.3</b>
		2008	110.4	10.0	13.4	133.8
	R L Every	<b>2009</b>	<b>119.5</b>	<b>10.2</b>	<b>6.8</b>	<b>136.5</b>
		2008	82.3	7.4	9.9	99.6
	R A Longes	<b>2009</b>	<b>119.5</b>	<b>10.2</b>	<b>6.8</b>	<b>136.5</b>
		2008	105.3	9.5	12.7	127.5
	K J Moss Chairman	<b>2009</b>	<b>302.7</b>	<b>13.9</b>	<b>35.2</b>	<b>351.8</b>
		2008	260.5	13.5	54.8	328.8
	P A Rayner (appointed 5 September 2008)	<b>2009</b>	<b>103.9</b>	<b>8.7</b>	<b>4.6</b>	<b>117.2</b>
		2008	0.0	0.0	0.0	0.0
	J R Williams	<b>2009</b>	<b>119.5</b>	<b>10.2</b>	<b>6.8</b>	<b>136.5</b>
		2008	105.3	9.5	12.7	127.5
<b>Former Non-executive Director</b>						
	E A Alexander (retired 24 October 2008)	<b>2009</b>	<b>41.8</b>	<b>3.7</b>	<b>0.0</b>	<b>45.5</b>
		2008	39.3	0.5	94.0	133.8
	<b>Total</b>	<b>2009</b>	<b>1,051.8</b>	<b>77.8</b>	<b>74.2</b>	<b>1,203.8</b>
	Total	2008	808.4	59.9	210.2	1,078.5

# Income Statement

BORAL LIMITED AND CONTROLLED ENTITIES

for the year ended 30 June	Note	CONSOLIDATED	
		2009 \$ millions	2008 \$ millions
Revenue	3	<b>4,875.1</b>	5,198.5
Cost of sales		<b>(3,247.9)</b>	(3,426.5)
Distribution expenses		<b>(791.2)</b>	(798.6)
Selling and marketing expenses		<b>(200.9)</b>	(202.7)
Administrative expenses		<b>(390.4)</b>	(362.9)
		<b>(4,630.4)</b>	(4,790.7)
Other income	4	<b>60.3</b>	18.2
Other expenses	5	<b>(99.1)</b>	(31.9)
Share of net profit of associates and joint ventures	6, 12	<b>0.5</b>	22.0
<b>Profit before net financing costs and income tax expense</b>		<b>206.4</b>	416.1
Financial income	7	<b>37.5</b>	8.7
Financial expenses	7	<b>(135.2)</b>	(120.6)
Net financing costs		<b>(97.7)</b>	(111.9)
<b>Profit before related income tax expense</b>		<b>108.7</b>	304.2
Income tax (expense)/benefit	8	<b>33.5</b>	(62.0)
<b>Net profit</b>		<b>142.2</b>	242.2
<b>Attributable to:</b>			
Members of the parent entity		<b>142.0</b>	242.8
Minority interests		<b>0.2</b>	(0.6)
<b>Net profit</b>		<b>142.2</b>	242.2
Basic earnings per share – ordinary shares	10	<b>24.1c</b>	40.7c
Diluted earnings per share – ordinary shares	10	<b>24.0c</b>	40.6c

The income statement should be read in conjunction with the accompanying notes which form an integral part of the financial report.

# Balance Sheet

BORAL LIMITED AND CONTROLLED ENTITIES

as at 30 June	Note	CONSOLIDATED	
		2009 \$ millions	2008 \$ millions
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		100.5	47.4
Receivables		776.9	881.7
Inventories		632.6	600.1
Other		67.0	41.6
<b>TOTAL CURRENT ASSETS</b>		<b>1,577.0</b>	1,570.8
<b>NON-CURRENT ASSETS</b>			
Receivables		33.2	39.8
Inventories		61.7	59.8
Investments accounted for using the equity method		298.9	298.2
Other financial assets	14	30.0	430.8
Property, plant and equipment		3,104.0	3,088.9
Intangible assets	15	307.8	326.1
Other		78.6	80.6
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,914.2</b>	4,324.2
<b>TOTAL ASSETS</b>		<b>5,491.2</b>	5,895.0
<b>CURRENT LIABILITIES</b>			
Payables		608.9	686.4
Interest bearing loans and borrowings	16	6.7	47.2
Current tax liabilities		28.5	96.9
Provisions		200.2	194.8
<b>TOTAL CURRENT LIABILITIES</b>		<b>844.3</b>	1,025.3
<b>NON-CURRENT LIABILITIES</b>			
Payables		33.3	81.0
Interest bearing loans and borrowings	16	1,607.4	1,515.3
Deferred tax liabilities		170.6	316.9
Provisions		82.0	46.9
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,893.3</b>	1,960.1
<b>TOTAL LIABILITIES</b>		<b>2,737.6</b>	2,985.4
<b>NET ASSETS</b>			
<b>EQUITY</b>			
Issued capital	17	1,691.4	1,673.1
Reserves		(43.2)	113.0
Retained earnings	18	1,104.2	1,121.5
<b>Total parent entity interest</b>		<b>2,752.4</b>	2,907.6
Minority interests		1.2	2.0
<b>TOTAL EQUITY</b>		<b>2,753.6</b>	2,909.6

The balance sheet should be read in conjunction with the accompanying notes which form an integral part of the financial report.

# Statement of Recognised Income and Expense

BORAL LIMITED AND CONTROLLED ENTITIES

for the year ended 30 June	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
Actuarial loss on defined benefit plans, net of tax	(15.7)	(8.7)
Net exchange differences from translation of foreign operations taken to equity, net of tax	13.3	(56.5)
Fair value adjustment on cash flow hedges, net of tax	(14.4)	8.3
Fair value adjustment on available for sale financial assets, net of tax	(166.0)	6.0
Net expense recognised directly in equity	(182.8)	(50.9)
Net profit	142.2	242.2
<b>Total recognised income and expense for the year</b>	<b>(40.6)</b>	191.3
<b>Total recognised income and expense for the year is attributable to:</b>		
Members of the parent entity	(40.8)	191.9
Minority interests	0.2	(0.6)
<b>Total recognised income and expense for the year</b>	<b>(40.6)</b>	191.3

The statement of recognised income and expense should be read in conjunction with the accompanying notes which form an integral part of the financial report.



# Cash Flow Statement

BORAL LIMITED AND CONTROLLED ENTITIES

for the year ended 30 June	Note	CONSOLIDATED	
		2009 \$ millions	2008 \$ millions
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		5,403.6	5,548.6
Payments to suppliers and employees		(4,861.2)	(4,881.6)
		542.4	667.0
Dividends received		49.5	76.7
Interest received		4.9	6.2
Borrowing costs paid		(130.9)	(120.3)
Income taxes paid		(47.1)	(47.8)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>418.8</b>	<b>581.8</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(230.8)	(390.2)
Purchase of intangibles		(0.7)	(2.3)
Purchase of controlled entities and businesses (net of cash acquired)	20	(7.1)	(101.2)
Purchase of other investments		(0.9)	(2.3)
Loans to associates		(22.9)	(17.8)
Proceeds from sale of investments		205.5	–
Proceeds on disposal of businesses and non-current assets		49.2	33.9
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(7.7)</b>	<b>(479.9)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		0.1	1.5
On-market share buy-back		(31.5)	–
Dividends paid (net of dividends reinvested under the Dividend Reinvestment Plan of \$49.7 million (2008: \$41.4 million))		(93.9)	(163.3)
Off-market share buy-back		–	(114.6)
Proceeds from borrowings		188.6	713.0
Repayment of borrowings		(424.4)	(495.1)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(361.1)</b>	<b>(58.5)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			
		50.0	43.4
Cash and cash equivalents at beginning of the year		47.4	11.4
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		3.1	(7.4)
Cash and cash equivalents at end of the year	21	100.5	47.4

The cash flow statement should be read in conjunction with the accompanying notes which form an integral part of the financial report.

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

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## 1. Accounting Policies

Boral Limited (the "Company") is a company domiciled in Australia. The consolidated full year financial report of the Company as at and for the full year ended 30 June 2009 comprises the Company and its controlled entities (the "Group").

### (a) Basis of Preparation

This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS) and other mandatory professional reporting requirements for the purpose of fulfilling the Group's obligation under Australian Securities Exchange (ASX) listing rules. The report is presented in Australian dollars.

A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

### (b) Significant Accounting Policies

The accounting policies have been applied consistently to all periods presented in the consolidated financial report. The financial report has been prepared on the basis of historical cost, except for derivative financial instruments and financial assets classified as available for sale which have been measured at fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

### (c) Comparative Figures

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

### (d) Rounding of Amounts

The Company is an entity of a kind referred to in ASIC Class Order 98/100 and, in accordance with that Class Order, amounts in the financial report have been rounded to the nearest one hundred thousand dollars unless otherwise stated.

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 2. Segments

BUSINESS SEGMENTS	2009 \$ millions	2008 \$ millions	2009 \$ millions	2008 \$ millions	2009 \$ millions	2008 \$ millions
REVENUE*						
Building products – Australia	1,277.2	1,357.1				
Construction materials – Australia	2,817.1	2,960.0				
United States of America	545.2	670.8				
Asia	219.4	190.7				
Other	16.2	19.9				
	<b>4,875.1</b>	<b>5,198.5</b>				
	OPERATING PROFIT (EXCLUDING ASSOCIATES)		EQUITY ACCOUNTED RESULTS OF ASSOCIATES		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
Building products – Australia	29.5	103.2	10.7	11.2	40.2	114.4
Construction materials – Australia	313.8	332.3	16.3	18.6	330.1	350.9
United States of America	(79.9)	(1.2)	(28.9)	(25.9)	(108.8)	(27.1)
Asia	5.7	(11.5)	13.4	18.1	19.1	6.6
Other	15.8	19.0	–	–	15.8	19.0
Corporate	(20.7)	(15.8)	–	–	(20.7)	(15.8)
	<b>264.2</b>	<b>426.0</b>	<b>11.5</b>	<b>22.0</b>	<b>275.7</b>	<b>448.0</b>
Significant items (refer note 9)	(58.3)	(31.9)	(11.0)	–	(69.3)	(31.9)
	<b>205.9</b>	<b>394.1</b>	<b>0.5</b>	<b>22.0</b>	<b>206.4</b>	<b>416.1</b>
	SEGMENT ASSETS (EXCLUDING INVESTMENTS IN ASSOCIATES)		EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES		TOTAL ASSETS	
Building products – Australia	1,397.3	1,423.9	7.6	4.1	1,404.9	1,428.0
Construction materials – Australia	2,662.1	2,758.0	13.7	15.5	2,675.8	2,773.5
United States of America	886.4	820.6	65.6	76.7	952.0	897.3
Asia	113.7	112.7	212.0	201.9	325.7	314.6
Other	0.9	405.2	–	–	0.9	405.2
Corporate	31.4	29.0	–	–	31.4	29.0
	<b>5,091.8</b>	<b>5,549.4</b>	<b>298.9</b>	<b>298.2</b>	<b>5,390.7</b>	<b>5,847.6</b>
Cash and cash equivalents	100.5	47.4	–	–	100.5	47.4
	<b>5,192.3</b>	<b>5,596.8</b>	<b>298.9</b>	<b>298.2</b>	<b>5,491.2</b>	<b>5,895.0</b>
	LIABILITIES		ACQUISITION OF SEGMENT ASSETS**		DEPRECIATION AND AMORTISATION	
Building products – Australia	217.2	250.0	63.7	124.5	58.3	53.8
Construction materials – Australia	435.4	463.2	133.1	179.2	145.1	138.3
United States of America	139.6	108.1	26.3	77.7	48.3	38.3
Asia	28.4	30.1	8.1	10.3	10.8	9.4
Other	0.8	0.9	–	–	–	–
Corporate	103.0	156.8	0.3	0.8	0.8	0.4
	<b>924.4</b>	<b>1,009.1</b>	<b>231.5</b>	<b>392.5</b>	<b>263.3</b>	<b>240.2</b>
Interest bearing loans and borrowings	1,614.1	1,562.5	–	–	–	–
Tax liabilities	199.1	413.8	–	–	–	–
	<b>2,737.6</b>	<b>2,985.4</b>	<b>231.5</b>	<b>392.5</b>	<b>263.3</b>	<b>240.2</b>
	IMPAIRMENT AND ASSET WRITE-DOWNS					
Building products – Australia	4.0	–				
Construction materials – Australia	28.2	–				
United States of America	43.9	–				
Asia	4.3	31.9				
Other	–	–				
Corporate	–	–				
	<b>80.4</b>	<b>31.9</b>				

\* Revenue represents external sales from operating activities. It excludes intersegment sales as they are not considered material.

\*\* Acquisition of segment assets excludes purchases of controlled entities, businesses and other investments.

### Business segments

**Building products – Australia** Bricks, plasterboard, timber products, roof tiles, aluminium products and concrete products.

**Construction materials – Australia** Quarries, road surfacing, premix concrete, precast concrete, fly ash, cement, quarry end use, transport, concrete placing and scaffolding.

**United States of America** Bricks, roof tiles, fly ash, premix concrete, quarries and masonry.

**Asia** Plasterboard, premix concrete and quarries.

**Other** Investments in listed shares and non-trading operations.

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 2. Segments (continued)

GEOGRAPHIC SEGMENTS	2009	2008	2009	2008	2009	2008
	\$ millions	\$ millions	\$ millions	\$ millions	\$ millions	\$ millions
	REVENUE*		ACQUISITION OF SEGMENT ASSETS**			
Australia	<b>4,094.3</b>	4,317.1	<b>196.8</b>	303.7		
United States of America	<b>545.2</b>	670.8	<b>26.3</b>	77.7		
Asia	<b>219.4</b>	190.7	<b>8.1</b>	10.3		
Other	<b>16.2</b>	19.9	<b>–</b>	–		
Corporate	<b>–</b>	–	<b>0.3</b>	0.8		
	<b>4,875.1</b>	5,198.5	<b>231.5</b>	392.5		
	OPERATING PROFIT (EXCLUDING ASSOCIATES)		EQUITY ACCOUNTED RESULTS OF ASSOCIATES		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
Australia	<b>343.3</b>	435.5	<b>27.0</b>	29.8	<b>370.3</b>	465.3
United States of America	<b>(79.9)</b>	(1.2)	<b>(28.9)</b>	(25.9)	<b>(108.8)</b>	(27.1)
Asia	<b>5.7</b>	(11.5)	<b>13.4</b>	18.1	<b>19.1</b>	6.6
Other	<b>15.8</b>	19.0	<b>–</b>	–	<b>15.8</b>	19.0
Corporate	<b>(20.7)</b>	(15.8)	<b>–</b>	–	<b>(20.7)</b>	(15.8)
	<b>264.2</b>	426.0	<b>11.5</b>	22.0	<b>275.7</b>	448.0
Significant items (refer note 9)	<b>(58.3)</b>	(31.9)	<b>(11.0)</b>	–	<b>(69.3)</b>	(31.9)
	<b>205.9</b>	394.1	<b>0.5</b>	22.0	<b>206.4</b>	416.1
	SEGMENT ASSETS (EXCLUDING INVESTMENTS IN ASSOCIATES)		EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES		TOTAL ASSETS	
Australia	<b>4,059.4</b>	4,181.9	<b>21.3</b>	19.6	<b>4,080.7</b>	4,201.5
United States of America	<b>886.4</b>	820.6	<b>65.6</b>	76.7	<b>952.0</b>	897.3
Asia	<b>113.7</b>	112.7	<b>212.0</b>	201.9	<b>325.7</b>	314.6
Other	<b>0.9</b>	405.2	<b>–</b>	–	<b>0.9</b>	405.2
Corporate	<b>31.4</b>	29.0	<b>–</b>	–	<b>31.4</b>	29.0
	<b>5,091.8</b>	5,549.4	<b>298.9</b>	298.2	<b>5,390.7</b>	5,847.6
Cash and cash equivalents	<b>100.5</b>	47.4	<b>–</b>	–	<b>100.5</b>	47.4
	<b>5,192.3</b>	5,596.8	<b>298.9</b>	298.2	<b>5,491.2</b>	5,895.0

\* Revenue represents external sales from operating activities. It excludes intersegment sales as they are not considered material.

\*\* Acquisition of segment assets excludes purchases of controlled entities, businesses and other investments.

### Geographic segments

Australia Bricks, plasterboard, timber products, roof tiles, aluminium products, concrete products, quarries, road surfacing, premix concrete, precast concrete, fly ash, cement, quarry end use, transport, concrete placing and scaffolding.

United States of America Bricks, roof tiles, fly ash, premix concrete, quarries and masonry.

Asia Plasterboard, premix concrete and quarries.

Other Investments in listed shares and non-trading operations.

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	Note	CONSOLIDATED	
		2009 \$ millions	2008 \$ millions
<b>3. Revenue</b>			
Sale of goods		<b>4,813.9</b>	5,108.4
Rendering of services		<b>45.0</b>	70.2
		<b>4,858.9</b>	5,178.6
<b>Other revenues</b>			
Dividends from other parties		<b>16.2</b>	19.9
		<b>4,875.1</b>	5,198.5
<b>4. Other Income</b>			
Significant item	9	<b>38.3</b>	–
Net profit on sale of assets		<b>13.5</b>	8.7
Net foreign exchange gain		–	0.6
Other income		<b>8.5</b>	8.9
		<b>60.3</b>	18.2
<b>5. Other Expenses</b>			
Significant item	9	<b>96.6</b>	31.9
Net foreign exchange loss		<b>2.5</b>	–
		<b>99.1</b>	31.9
<b>6. Share of Net Profit of Associates and Joint Ventures</b>			
Share of associates' profit (excluding significant item)	12	<b>11.5</b>	22.0
Significant item	9	<b>(11.0)</b>	–
		<b>0.5</b>	22.0
<b>7. Net Financing Costs</b>			
<b>Interest income received or receivable from:</b>			
Associated entities		<b>2.6</b>	1.8
Other parties (cash at bank and bank short-term deposits)		<b>3.2</b>	5.4
Unwinding of discount		<b>2.2</b>	1.5
Significant item – interest recoveries	9	<b>29.5</b>	–
		<b>37.5</b>	8.7
<b>Interest expense paid or payable to:</b>			
Other parties (bank overdrafts, bank loans and other loans)		<b>133.9</b>	119.2
Finance charges on capitalised leases		<b>0.1</b>	0.2
Unwinding of discount		<b>1.2</b>	1.2
		<b>135.2</b>	120.6
<b>Net financing costs</b>		<b>(97.7)</b>	(111.9)
Net financing costs (excluding significant item)		<b>(127.2)</b>	(111.9)
Significant item – interest recoveries	9	<b>29.5</b>	–
<b>Net financing costs</b>		<b>(97.7)</b>	(111.9)

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	CONSOLIDATED		
	Note	2009 \$ millions	2008 \$ millions
<b>8. Income Tax Expense</b>			
Income tax expense on profit:			
– at Australian tax rate 30% (2008: 30%)		<b>32.6</b>	91.3
– adjustment for difference between Australian and overseas tax rates		<b>(15.1)</b>	(1.4)
Income tax expense on pre-tax profit at standard rates		<b>17.5</b>	89.9
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Tax losses not recognised		<b>1.1</b>	2.9
Non-deductible depreciation and amortisation		<b>2.3</b>	1.3
Capital gains brought to account		<b>1.0</b>	1.5
Share of associates' net profit and franked dividends		<b>(9.1)</b>	(13.7)
Franked dividends from other entities		<b>(4.8)</b>	(6.0)
Non-deductible impairment of assets		<b>6.4</b>	9.6
Other items		<b>(0.9)</b>	7.9
Significant item			
Income tax expense/(benefit) on resolution of matters with Australian and US taxation authorities	9	<b>(43.4)</b>	(28.1)
Income tax expense/(benefit) on profit		<b>(29.9)</b>	65.3
Over provision for tax in previous years		<b>(3.6)</b>	(3.3)
<b>Income tax expense/(benefit) attributable to profit</b>		<b>(33.5)</b>	62.0
Income tax expense (excluding significant items)		<b>17.1</b>	90.1
Significant item	9	<b>(50.6)</b>	(28.1)
<b>Income tax expense/(benefit) attributable to profit</b>		<b>(33.5)</b>	62.0

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 9. Significant Items

Net profit includes the following items whose disclosure is relevant in explaining the financial performance of the entity:

### Disposal of investment

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
Profit on sale of shares in Adelaide Brighton Limited	38.3	–
Income tax (expense)/benefit	(11.5)	–
	<b>26.8</b>	–

### Impairment of assets

Goodwill and asset write-downs	(80.4)	(31.9)
Income tax (expense)/benefit	17.0	–
	<b>(63.4)</b>	(31.9)

### Onerous contract

US contractual obligations	(27.2)	–
Income tax (expense)/benefit	10.3	–
	<b>(16.9)</b>	–

### Tax matters

Interest recoveries	29.5	–
Income tax (expense)/benefit	(8.6)	–
Income tax benefit – resolution of tax matters	43.4	28.1
	<b>64.3</b>	28.1

### Net significant items

Profit/(loss) before interest and tax	(69.3)	(31.9)
Interest recoveries	29.5	–
Income tax (expense)/benefit	50.6	28.1
	<b>10.8</b>	(3.8)

### Disposal of investment

During the year, the Group recognised a profit on the disposal of investments of \$38.3 million from the sale of the Group's 107.8 million shares in Adelaide Brighton Limited for a net consideration of \$205.5 million.

### Impairment of assets

The Group has reviewed the carrying value of its assets including goodwill having regard to the current and anticipated future market conditions which has resulted in a write-down of the value of the goodwill and assets by \$80.4 million (2008: \$31.9 million).

In the United States of America, goodwill arising on the acquisition of construction materials businesses in Colorado and Oklahoma has been written down by \$30.8 million due to weak market volumes. The Group has also written down the value of goodwill by \$17.2 million relating to the precast concrete panels business in the Construction Materials – Australia operations.

Penrith Lakes Development Corporation Limited, an associate, has assessed the carrying value of freehold land acquired for quarrying and urban development and capitalised acquisition and development costs and recorded an impairment charge in its accounts. The net impact of this impairment charge included in equity income of the Group is \$11.0 million.

At 30 June 2009, the Group has written down the value of assets other than goodwill by \$21.4 million. This relates to idle brick plants in the USA (\$13.1 million) and in Building Products – Australia (\$4.0 million) as well as previously capitalised project costs in Asia (\$4.3 million).

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 9. Significant Items (continued)

### Onerous contract

During the period, the Group recognised an amount of \$27.2 million, reflecting expected future losses on contractual obligations in the fly ash operations in the USA.

### Tax matters

During the year, ongoing enquiries were made by the Australian Taxation Office (ATO) relating to a transaction occurring at the time of the demerger. The ATO has advised the Group that it no longer intends to pursue this matter.

In the USA, the Internal Revenue Service (IRS) was reviewing two transactions which occurred prior to the demerger which it believed may have resulted in additional assessable income to the Group. Agreement has been reached with the IRS in relation to both of these matters and closing agreements are being completed.

## 10. Earnings Per Share

### Classification of securities as ordinary shares

Only ordinary shares have been included in basic earnings per share (EPS).

### Classification of securities as potential ordinary shares

Options outstanding under the Executive Share Option Plan and Share Performance Rights have been classified as potential ordinary shares and are included in diluted earnings per share only.

### Earnings reconciliation

Net profit before significant items and minority interests

Attributable to minority interests

### Net profit excluding significant items

Net significant items

### Net profit attributable to members of the parent entity

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
Net profit before significant items and minority interests	131.4	246.0
Attributable to minority interests	(0.2)	0.6
<b>Net profit excluding significant items</b>	<b>131.2</b>	<b>246.6</b>
Net significant items	10.8	(3.8)
<b>Net profit attributable to members of the parent entity</b>	<b>142.0</b>	<b>242.8</b>

### Weighted average number of ordinary shares used as the denominator

Number for basic earnings per share

Effect of potential ordinary shares

### Number for diluted earnings per share

Basic earnings per share – ordinary shares

Diluted earnings per share – ordinary shares

Basic earnings per share – ordinary shares (excluding significant items)

Diluted earnings per share – ordinary shares (excluding significant items)

	CONSOLIDATED	
	2009	2008
Number for basic earnings per share	589,679,255	596,349,369
Effect of potential ordinary shares	2,466,892	1,688,363
<b>Number for diluted earnings per share</b>	<b>592,146,147</b>	<b>598,037,732</b>
Basic earnings per share – ordinary shares	24.1c	40.7c
Diluted earnings per share – ordinary shares	24.0c	40.6c
Basic earnings per share – ordinary shares (excluding significant items)	22.2c	41.4c
Diluted earnings per share – ordinary shares (excluding significant items)	22.2c	41.2c



# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 11. Dividends

Dividends recognised by the Company and the Group are:

	Amount per share	Total amount \$ millions	Franked amount per share	Date of payment
<b>2009</b>				
2008 final – ordinary	<b>17.0 cents</b>	<b>99.6</b>	<b>17.0 cents</b>	<b>18 September 2008</b>
2009 interim – ordinary	<b>7.5 cents</b>	<b>44.0</b>	<b>7.5 cents</b>	<b>3 April 2009</b>
Total		<b>143.6</b>		
<b>2008</b>				
2007 final – ordinary	17.0 cents	102.0	17.0 cents	18 September 2007
2008 interim – ordinary	17.0 cents	102.5	17.0 cents	19 March 2008
Total		204.5		

### Subsequent Event

Since the end of the financial year, the Directors declared the following dividend:

	Amount per share	Total amount \$ millions	Franked amount per share	Date of payment
<b>2009</b> final – ordinary	<b>5.5 cents</b>	<b>32.6</b>	<b>5.5 cents</b>	<b>28 September 2009</b>

The financial effect of the final dividend for the year ended 30 June 2009 has not been brought to account in the financial report for the year but will be recognised in subsequent financial reports.

### Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan will operate in respect of the payment of the final dividend and the last date for the receipt of an election notice for participation in the plan is 28 August 2009.

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 12. Investments Accounted for Using the Equity Method

Name	Principal activity	Country of incorporation	Balance date	OWNERSHIP INTEREST CONSOLIDATED	
				2009 %	2008 %
<b>DETAILS OF INVESTMENTS IN ASSOCIATES ARE AS FOLLOWS:</b>					
Caribbean Roof Tile Company Limited	Roof tiles	Trinidad	31-Dec	50	50
Flyash Australia Pty Ltd	Fly ash collection	Australia	30-Jun	50	50
Gypsum Resources Australia Pty Ltd	Gypsum mining	Australia	30-Jun	50	50
Highland Pine Products Pty Ltd	Timber	Australia	30-Jun	50	50
Lafarge Boral Gypsum in Asia Ltd	Plasterboard	Malaysia	31-Dec	50	50
MonierLifetile LLC	Roof tiles	USA	31-Dec	50	50
MonierLifetile S.R.L. de C.V.	Roof tiles	Mexico	31-Dec	50	50
Penrith Lakes Development Corporation Ltd	Quarrying	Australia	30-Jun	40	40
Rondo Building Services Pty Ltd	Rollform systems	Australia	30-Jun	50	50
South East Asphalt Pty Ltd	Asphalt	Australia	30-Jun	50	50
Sunstate Cement Ltd	Cement manufacturer	Australia	30-Jun	50	50
Tile Service Company LLC	Roof tiles	USA	31-Dec	50	50
US Tile LLC	Roof tiles	USA	31-Dec	50	50

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
<b>RESULTS OF ASSOCIATES</b>		
Share of associates' profit before income tax expense	29.1	39.7
Share of associates' income tax expense	(17.6)	(17.7)
	11.5	22.0
Significant item	(11.0)	–
Share of associates' net profit – equity accounted	0.5	22.0

### Results of associates include the following:

Share of associates' net profit/(loss) – equity accounted:		
Lafarge Boral Gypsum in Asia Ltd	13.4	18.1
MonierLifetile LLC* and MonierLifetile S.R.L. de C.V.	(26.4)	(23.5)

\* Taxed as a partnership in the USA.

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 13. Net Tangible Asset Backing

Net tangible asset backing per ordinary security

CONSOLIDATED	
2009	2008
<b>\$4.12</b>	\$4.41

## 14. Other Financial Assets

Listed shares – at fair value

Financial instruments

CONSOLIDATED	
2009 \$ millions	2008 \$ millions
–	404.4
<b>30.0</b>	26.4
<b>30.0</b>	430.8

During the year, the Group recognised a profit on the disposal of investments of \$38.3 million from the sale of the Group's 107.8 million shares in Adelaide Brighton Limited for a net consideration of \$205.5 million.

## 15. Intangible Assets

Goodwill

Other intangible assets

Less: Accumulated amortisation

<b>292.0</b>	304.5
<b>40.9</b>	39.7
<b>(25.1)</b>	(18.1)
<b>307.8</b>	326.1

The Group has reviewed the carrying value of its assets including goodwill having regard to the current and anticipated future market conditions which has resulted in a write-down of the value of the goodwill by \$48.0 million (2008: \$31.9 million).

In the United States of America, goodwill arising on the acquisition of construction materials businesses in Colorado and Oklahoma has been written down by \$30.8 million due to weak market volumes. The Group has also written down the value of goodwill by \$17.2 million relating to the precast concrete panels business in the Construction Materials – Australia operations.

A segment summary of the goodwill allocation is presented below:

Building products – Australia

Construction materials – Australia

United States of America

<b>43.4</b>	42.8
<b>79.1</b>	93.1
<b>169.5</b>	168.6
<b>292.0</b>	304.5

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
<b>16. Interest Bearing Loans and Borrowings</b>		
<b>CURRENT</b>		
Bank loans – unsecured	5.8	2.9
Other loans – unsecured	0.6	43.5
Finance lease liabilities	0.3	0.8
	<b>6.7</b>	<b>47.2</b>
<b>NON-CURRENT</b>		
Other loans – secured	–	0.2
Bank loans – unsecured	223.0	50.0
Other loans – unsecured	1,384.4	1,465.0
Finance lease liabilities	–	0.1
	<b>1,607.4</b>	<b>1,515.3</b>
	<b>1,614.1</b>	<b>1,562.5</b>

## Term and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	CONSOLIDATED				
	Currency	Effective interest rate 2009	Year of maturity	2009 Carrying amount \$ millions	2008 Carrying amount \$ millions
<b>CURRENT</b>					
US senior notes – unsecured	USD	–	–	–	43.5
Bank loans – unsecured	THB	4.27%	2010	5.8	2.5
Bank loans – unsecured	AUD	–	–	–	0.4
Other loans – unsecured	AUD	7.24%	2010	0.6	–
Finance lease liabilities	AUD	6.64%	2010	0.3	0.8
				<b>6.7</b>	<b>47.2</b>
<b>NON-CURRENT</b>					
US senior notes – unsecured	USD	6.44%	2012-2020	1,323.2	1,086.8
US commercial paper – unsecured	USD	–	–	–	131.4
Syndicated term credit facility – unsecured	USD	1.61%	2011	124.6	–
Syndicated term credit facility – unsecured	AUD	4.50%	2011	40.0	–
AUD notes – unsecured	AUD	4.12%	2010	59.7	246.6
Bank loans – unsecured	THB	2.91%	2011	58.4	50.0
Other loans – unsecured	AUD	–	2014	1.5	0.2
Other loans – secured	AUD	–	–	–	0.2
Finance lease liabilities	AUD	–	–	–	0.1
				<b>1,607.4</b>	<b>1,515.3</b>
<b>TOTAL</b>				<b>1,614.1</b>	<b>1,562.5</b>

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 17. Issued Capital

### ISSUED AND PAID-UP CAPITAL

592,890,530 (2008: 585,735,263) ordinary shares, fully paid

CONSOLIDATED	
2009 \$ millions	2008 \$ millions

<b>1,691.4</b>	1,673.1
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### MOVEMENTS IN ORDINARY SHARE CAPITAL

Balance at the beginning of the year

<b>1,673.1</b>	1,688.1
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12,083,777 (2008: 6,067,169) shares issued under the Dividend Reinvestment Plan

<b>49.7</b>	41.4
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21,692 (2008: 280,950) shares issued upon the exercise of executive options

<b>0.1</b>	1.5
------------	-----

Nil (2008: 20,019,889) off-market share buy-back

–	(57.9)
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4,950,202 (2008: Nil) on-market share buy-back

<b>(31.5)</b>	–
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Balance at the end of the year

<b>1,691.4</b>	1,673.1
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During the year, the Company completed the buy-back of 4,950,202 shares. The total consideration of shares bought back on market was \$31,540,668 and at an average price of \$6.37. The consideration paid was allocated to share capital.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of a winding up of Boral Limited, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

## 18. Retained Earnings

Balance at the beginning of the year

<b>1,121.5</b>	1,148.2
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Net profit attributable to members of the parent entity

<b>142.0</b>	242.8
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Dividends recognised during the year

<b>(143.6)</b>	(204.5)
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Dividend component of off-market share buy-back

–	(56.3)
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Actuarial loss on defined benefit plans, net of tax

<b>(15.7)</b>	(8.7)
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Balance at the end of the year

<b>1,104.2</b>	1,121.5
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# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

## 19. Contingent Liabilities

The Company has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to controlled entities.

A number of sites within the Group have been identified as contaminated, generally as a result of prior activities conducted at the sites, and review and appropriate implementation of clean-up requirements for these is ongoing. For sites where the requirements can be assessed, estimated clean-up costs have been expensed or provided for. For some sites, the requirements cannot be reliably assessed at this stage.

Certain entities within the Group are subject to various lawsuits and claims in the ordinary course of business.

Consistent with other companies of the size and diversity of Boral, the Group is the subject of periodic information requests, investigations and audit activity by the Australian Taxation Office (ATO) and taxation authorities in other jurisdictions in which Boral operates.

A deed was entered into at the time of the demerger which contained certain indemnities and other agreements between the Company and Origin Energy Limited (Origin) and their respective controlled entities covering the transfer of the businesses, investments, tax, other liabilities, debt and assets of the Group and some temporary shared arrangements. During the year, a number of matters were resolved with both the Australian and United States taxation authorities which are likely to give rise to claims by the Group under the demerger deed. A settlement has been reached with the ATO in relation to this matter. As the settlement resulted in a payment to the ATO, Origin is likely to rely on indemnities contained in the demerger deed.

The Group has considered all of the above claims and, where appropriate, sought independent advice and believes it holds appropriate provisions.

## 20. Acquisition/Disposal of Controlled Entities

The following controlled entities were acquired or disposed of during the financial year ended 30 June 2009:

Entities acquired:

There were no material acquisitions of entities during the reporting period.

Business	Acquisition date	Total purchase consideration \$ millions	Fair value of identifiable assets acquired \$ millions	Goodwill \$ millions
Minor acquisitions	–	7.1	3.3	3.8

There were no material disposals or loss of control over any entities during the reporting period.

The following controlled entities were acquired or disposed of during the financial year ended 30 June 2008:

Entities acquired:

Schwarz Readymix and Davis Arbuckle Materials quarry	Aug 2007	99.8	52.1	47.7
Other minor acquisitions	–	1.4	0.7	0.7
		101.2	52.8	48.4

There were no material disposals or loss of control over any entities during the reporting period.

# Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED	
2009	2008
\$ millions	\$ millions

## 21. Notes to Cash Flow Statement

### (i) Reconciliation of cash and cash equivalents

Cash includes cash on hand, at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	<b>100.5</b>	47.4
Bank overdrafts	-	-
	<b>100.5</b>	47.4

### (ii) The following non-cash financing and investing activities have not been included in the cash flow statement:

Dividends reinvested under the Dividend Reinvestment Plan	<b>49.7</b>	41.4
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# Statutory Statements

BORAL LIMITED AND CONTROLLED ENTITIES



## Directors' Declaration

In the opinion of the Directors of Boral Limited, the accompanying concise financial report of the Group, comprising Boral Limited and the entities it controlled for the financial year ended 30 June 2009 set out on pages 60 to 77:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the Directors:

Kenneth J Moss, DIRECTOR

Rodney T Pearce, DIRECTOR  
Sydney, 11 September 2009

## Independent Auditor's Report to the Members of Boral Limited

### REPORT ON THE CONCISE FINANCIAL REPORT

The accompanying concise financial report of the Group comprising Boral Limited (the "Company") and its controlled entities comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended and related notes 1 to 21 derived from the audited financial report of Boral Limited for the year ended 30 June 2009. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

#### Directors' responsibility for the concise financial report

The Directors of the Company are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Boral Limited for the year ended 30 June 2009.

Our audit report on the financial report for the year was signed on 11 September 2009 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been

undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

#### Auditor's opinion

In our opinion, the concise financial report of Boral Limited and its controlled entities for the year ended 30 June 2009 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

### REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in clause 19 of the Directors' Report for the year ended 30 June 2009. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

#### Auditor's opinion

In our opinion, the Remuneration Report of Boral Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

KPMG

David Rogers, PARTNER  
Sydney, 11 September 2009



# Shareholder Information

BORAL LIMITED AND CONTROLLED ENTITIES

## Shareholder communications

Enquiries or notifications by shareholders regarding their shareholdings or dividends should be directed to Boral's share registry:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

Hand deliveries to:  
Level 12, 680 George Street,  
Sydney NSW 2000

Telephone (02) 8280 7133  
International +61 2 8280 7133

Facsimile (02) 9287 0303  
International +61 2 9287 0303

Shareholders can also send questions to the share registry via email.

Internet  
www.linkmarketservices.com.au  
email  
registrars@linkmarketservices.com.au

## Online services

You can access information and update information about your holdings in Boral Limited via the internet by visiting Link Market Services' website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or Boral's website [www.boral.com.au](http://www.boral.com.au)

Some of the services available online include: check current and previous holding balances, choose your preferred Annual Report option, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption, check the share prices and graphs or download a variety of forms.

## Dividends

The final dividend for the 2008/09 year of 5.5 cents per share will be paid by Boral on 28 September 2009. The dividend will be fully franked.

## Dividend Reinvestment Plan (DRP)

As an alternative to receiving cash dividends, shareholders may elect to participate in the DRP. The DRP enables shareholders to use cash dividends to acquire additional fully paid Boral shares. If a shareholder wishes to participate in the DRP or alter their participation, they must notify the share registry in writing. DRP election forms can be obtained by contacting Link Market Services. Features of the DRP can be found on Boral's website.

## Tax File Number (TFN), Australian Business Number (ABN) or exemption

You are strongly advised to lodge your TFN, ABN or exemption. If you choose not to lodge these details with the share registry, then Boral Limited is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of any dividend payment. Certain pensioners are exempt from supplying their TFNs. You can confirm whether you have lodged your TFN, ABN or exemption via the internet at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Shareholders are reminded to bank dividend cheques as soon as possible. Dividend cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act.

If you wish your dividends to be paid directly to a bank, building society or credit union account in Australia or New Zealand, contact the share registry or visit their website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for an application form. The payments are electronically credited on the dividend payment date and confirmed by payment advices mailed to the shareholder's registered address. All instructions received remain in force until amended or cancelled in writing.

## Uncertificated forms of shareholding

Two forms of uncertificated holdings are available to Boral shareholders:

### Issuer Sponsored Holdings:

This type of holding is sponsored by Boral and provides shareholders with the advantages of uncertificated holdings without the need to be sponsored by any particular stockbroker.

### Broker Sponsored Holdings (CHESS):

Shareholders may arrange to be sponsored by a stockbroker (or certain other financial institutions) and are required to sign a sponsorship agreement appointing the sponsor as their "controlling participant" for the purposes of CHESS. This type of holding is likely to attract regular stock market traders or those shareholders who have their share portfolio managed by a stockbroker.

Holding statements are issued to shareholders not later than five business days after the end of any month in which transactions alter the balance of a holding. Shareholders requiring replacement holding statements should be directed to their controlling participant.

Shareholders communicating with the share registry should have to hand their

Security Holder Reference Number (SRN) or Holder Identification Number (HIN) as it appears on the Issuer Sponsored/CHESS holding statements or dividend advices. For security reasons, shareholders should keep their Security Holder Reference Numbers confidential.

## Annual Report mailing list

Shareholders (whether Issuer or Broker Sponsored) not wishing to receive the Annual Report should advise the share registry in writing so that their names can be removed from the mailing list. Shareholders are also able to update their preference via the Link Market Services or Boral websites. Unless shareholders have advised the share registry that they require no Annual Report or the full Annual Report, they will be sent the Shareholder Review.

Alternatively, shareholders can nominate to receive email notification of the release of the Annual Report and then access it via a link. The share registry can provide forms for making annual report delivery elections.

## Change of address

Shareholders who are Issuer Sponsored should notify any change of address to the share registry promptly; this can be done via the Link Market Services website or in writing quoting their Security Holder Reference Number, previous address and new address. Application forms for Change of Address are also available for download via the Link Market Services or Boral websites. Broker Sponsored (CHESS) holders must advise their sponsoring broker of the change.

## Information on Boral

Boral has a comprehensive internet site featuring news items, announcements, corporate information and a wide range of product and service information. Boral's internet address is [www.boral.com.au](http://www.boral.com.au)

The Annual Review is the main source of information for shareholders. Other sources of information include:

February – the interim results announcement for the December half year.

August – the annual results announcement for the year ended 30 June.

October – the Annual General Meeting. The Chairman's and Managing Director's Addresses to the Meeting are available on the website shortly after the Meeting.

# Shareholder Information

BORAL LIMITED AND CONTROLLED ENTITIES

In addition the Meeting is webcast for shareholders' convenience.

Requests for publications and other enquiries about Boral's affairs should be addressed to:

The Manager, Corporate Affairs  
Boral Limited  
GPO Box 910  
SYDNEY NSW 2001

Enquiries can also be made via email: info@boral.com.au or visit Boral's website at www.boral.com.au

## Share trading and price

Boral shares are traded on the Australian Securities Exchange (ASX). The stock code under which they are traded is "BLD" and the details of trading activity are published in most daily newspapers under that abbreviation.

## Share sale facility

A means for Issuer Sponsored shareholders, particularly small shareholders, to sell their entire Boral shareholding is to use the share registry's sale facility by contacting Link Market Services' Share Sale Centre on (02) 8280 7133.

## American Depositary Receipts (ADRs)

In the USA, Boral shares are traded in the over-the-counter market in the form of ADRs issued by the depositary, The Bank of New York. Each ADR represents four ordinary Boral shares.

## Share Information as at 28 August 2009

### Substantial holders

Ausbil Dexia Limited by a notice of initial substantial holder dated 23 April 2009, advised that it and its associates were entitled to 30,005,841 ordinary shares.

Balanced Equity Management Pty Limited, by a notice of change of interests of substantial holder dated 17 August 2009, advised that it and its associates were entitled to 41,550,813 ordinary shares.

Commonwealth Bank of Australia, by a notice of change of interests of substantial holder dated 18 August 2009, advised that it and its associates were entitled to 37,054,721 ordinary shares.

Barclays Group by a notice of initial substantial holder dated 19 August 2009, advised that it and its associates were entitled to 30,420,394 ordinary shares.

## Distribution schedule of shareholders

Size of shareholding	Number of shareholders	% of ordinary shares
(a) in the categories –		
1 – 1,000	42,386	3.33
1,001 – 5,000	34,381	13.51
5,001 – 10,000	5,939	7.14
10,001 – 100,000	3,126	11.16
100,001 and over	156	64.86
	85,988	100.00
(b) holding less than a marketable parcel (84 shares)	5,354	0.03

## Voting rights – ordinary shares

On a show of hands every person present, who is a member or proxy, attorney or representative of a member, shall have one vote and on a poll every member who is present in person or by proxy, attorney or representative shall have one vote for each share held by him or her.

## On-market buy-back

During the 2008/09 year, the Company conducted an on-market buy-back, buying back 4,950,202 ordinary shares. The buy-back is no longer current.

## Twenty largest shareholders

	Ordinary shares	% of ordinary shares
National Nominees Limited	79,273,494	13.37
HSBC Custody Nominees (Australia) Limited	68,472,936	11.55
J P Morgan Nominees Australia Limited	60,775,038	10.25
Citicorp Nominees Pty Limited	53,719,999	9.06
Cogent Nominees Pty Limited	21,317,658	3.60
ANZ Nominees Limited	10,851,831	1.83
PSS Board	9,689,143	1.63
MLEQ Nominees Pty Ltd	8,301,382	1.40
AMP Life Limited	6,496,642	1.10
Queensland Investment Corporation	5,134,940	0.87
Credit Suisse Securities (Europe) Ltd	5,130,000	0.87
Invia Custodian Pty Limited	4,192,238	0.71
Rodney Pearse	4,059,539	0.68
UBS Wealth Management Australia	3,835,740	0.65
Australian Foundation Investment Company Limited	3,810,393	0.64
Warbont Nominees Pty Ltd	3,624,097	0.61
Argo Investments Limited	2,866,907	0.48
Bond Street Custodians Limited	2,831,618	0.48
The Senior Master of the Supreme Court (Common Fund No 3 A/C)	2,481,542	0.42
Aust Executor Trustees NSW Ltd (Tea Custodians Limited)	2,285,626	0.39
	359,150,763	60.57

# Financial History

BORAL LIMITED AND CONTROLLED ENTITIES

as at 30 June	2009 \$ millions	2008 \$ millions	2007 \$ millions	2006 \$ millions	2005 \$ millions	2004 \$ millions	2003 \$ millions	2002 \$ millions	2001 \$ millions	Proforma* 2000 \$ millions
Revenue	<b>4,875</b>	5,199	4,909	4,767	4,305	4,150	3,831	3,489	3,280	4,012
Earnings before interest, tax, depreciation and amortisation (EBITDA) <sup>1</sup>	<b>539</b>	688	762	823	794	794	672	531	451	563
Depreciation and amortisation	<b>263</b>	240	231	209	191	195	194	188	189	203
Earnings before interest and tax <sup>1</sup>	<b>276</b>	448	531	614	603	600	478	343	262	360
Profit/(loss) from disposal of businesses	-	-	-	-	-	-	-	-	39	(33)
Profit before interest and tax <sup>1</sup>	<b>276</b>	448	531	614	603	600	478	343	301	327
Net financing costs <sup>1</sup>	<b>(127)</b>	(112)	(111)	(98)	(71)	(66)	(68)	(63)	(70)	(90)
Profit before tax <sup>1</sup>	<b>149</b>	336	420	516	532	534	410	280	232	238
Income tax expense <sup>1</sup>	<b>(17)</b>	(90)	(122)	(153)	(162)	(163)	(126)	(87)	(78)	(70)
Minority interests	-	1	-	-	(1)	(1)	(1)	-	-	-
Net profit after tax <sup>1</sup>	<b>131</b>	247	298	363	370	370	283	192	153	169
Significant items	<b>11</b>	(4)	-	-	-	-	-	-	-	-
Net profit attributable to members of Boral Limited	<b>142</b>	243	298	362	370	370	283	192	153	169
Total assets	<b>5,491</b>	5,895	5,817	5,587	5,001	4,511	4,038	3,915	3,950	3,873
Total liabilities	<b>2,738</b>	2,985	2,829	2,832	2,594	2,151	1,898	1,966	2,096	2,096
Net assets	<b>2,754</b>	2,910	2,987	2,755	2,407	2,360	2,140	1,950	1,855	1,777
Shareholders' funds	<b>2,754</b>	2,910	2,987	2,755	2,407	2,360	2,140	1,950	1,855	1,777
Net debt	<b>1,514</b>	1,515	1,482	1,578	1,394	938	764	881	983	961
Funds employed	<b>4,268</b>	4,425	4,470	4,333	3,800	3,298	2,904	2,831	2,837	2,738
Dividends paid or declared	<b>77</b>	202	203	200	197	175	133	109	102	102
<b>Statistics</b>										
Dividend per ordinary share	<b>13c</b>	34c	34c	34c	34c	30c	23c	19c	18c	18c
Dividend payout ratio	<b>54%</b>	83%	68%	55%	53%	47%	47%	57%	67%	61%
Dividend cover	<b>1.8</b>	1.2	1.5	1.8	1.9	2.1	2.1	1.8	1.5	1.7
Earnings per ordinary share <sup>1</sup>	<b>22.2c</b>	41.4c	50.0c	61.7c	63.4c	63.8c	49.1c	33.7c	27.0c	29.7c
Return on equity <sup>1</sup>	<b>4.8%</b>	8.5%	10.0%	13.2%	15.4%	15.7%	13.2%	9.9%	8.3%	9.5%
EBIT to sales <sup>1</sup>	<b>5.7%</b>	8.6%	10.8%	12.9%	14.0%	14.4%	12.5%	9.8%	8.0%	9.0%
EBIT to funds employed <sup>1</sup>	<b>6.5%</b>	10.1%	11.9%	14.2%	15.9%	18.2%	16.4%	12.1%	9.2%	13.2%
Net interest cover (times) <sup>1</sup>	<b>2.2</b>	4.0	4.8	6.3	8.5	9.1	7.1	5.4	4.3	3.7
Gearing (net debt to equity)	<b>55%</b>	52%	50%	57%	58%	40%	36%	45%	53%	54%
Gearing (net debt to net debt plus equity)	<b>35%</b>	34%	33%	36%	37%	28%	26%	31%	35%	35%
Net tangible asset backing per share	<b>\$4.12</b>	\$4.41	\$4.41	\$4.07	\$3.57	\$3.65	\$3.27	\$3.02	\$2.89	\$2.78

<sup>1</sup> Excludes the impact of significant items in 2009 and 2008.

Results for the years ended 2005 to 2009 have been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS). The years prior to June 2005 represent results under previous Australian Generally Accepted Accounting Principles (AGAAP).

\* The comparative figures for the year ended June 2000 have been prepared on a proforma basis to reflect the results of operations of the Boral building and construction businesses for the year. Proforma consolidated accounts were not audited but were subject to an independent review by KPMG.

## Glossary and Abbreviations

ABS	Australian Bureau of Statistics	HIA	Housing Industry Association
ACCC	Australian Competition and Consumer Commission	HR	Human resources
ACF	Australian Conservation Foundation	H&S	Health and safety
ACJP	Australian Climate Justice Program	HSE	Health, safety and environment
ACM	Australian Construction Materials division	JDRF	Juvenile Diabetes Research Foundation
ASX	Australian Securities Exchange	JV	Joint venture
BCA	Business Council of Australia	LBGA	Lafarge Boral Gypsum in Asia; the joint venture is 50% owned by Boral and 50% owned by Lafarge
BCSC	Blue Circle Southern Cement	LCI/LCA	Life-cycle inventory/life-cycle analysis
BFS	Boral Formwork & Scaffolding	LEED	Leadership in Industry and Environment Design, an internationally recognised green building certification system
BMTI	Boral Material Technologies Inc	Lime	Oxide of calcium (CaO) produced by heating limestone
BPE	Best Practice Element	Limestone	A rock consisting chiefly of calcium carbonate (CaCO <sub>2</sub> )
BPIC	Building Products Innovation Council	LTI	Lost time injury; an injury which causes an employee to be absent from work for one or more full days or shifts on any day subsequent to the injury occurring
BSDT	Boral Sustainability Diagnostic Tool	LTI	Long term incentive
C&C	Clay & Concrete Products division	LTIFR	Lost time injury frequency rate; the number of employee lost time injuries per million hours worked during a period.
Calcination	The process of reducing limestone to lime and carbon dioxide to produce cement	LUAC	Large User Abatement Certificate
CCS	Carbon capture and storage	MLT	MonierLifetile
CDM	Clean Development Mechanism	NGAC	NSW Greenhouse Abatement Certificate
CDP	Carbon Disclosure Project	NGERS	National Greenhouse and Energy Reporting System
Cement	A mixture of calcined limestone and clay; cement is a binder used with water and sand or gravel to make concrete	NPI	National Pollutant Inventory
CO <sub>2</sub>	Carbon dioxide equivalent	NSW GGAS	NSW Greenhouse Gas Reduction Scheme
Concrete	A building material composed of sand, gravel, cement & water	OHS	Occupational health and safety
CNG	Compressed Natural Gas	Operating sites	Wholly owned or at least 50% owned JV operating site excluding sales, administration and distribution offices
CRB	Construction Related Businesses division	PACT	Powdered activated carbon treatment
CRI	Corporate Responsibility Index	PEP	Performance Enhancement Program
CPRS	Carbon Pollution Reduction Scheme	Precautionary Principle	Where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation".
CVA	Conservation Volunteers Australia	QEU	Quarry End Use
DECC	Department of Environment and Climate Change (NSW)	RAP	Recycled asphalt pavement
Demerger	The separation of Boral's building and construction materials business and energy business, which occurred in February 2000. The energy business is now a separate Australian listed company, Origin Energy	Recycle	Waste material used in a new product
DEUS	Department of Energy Utilities and Sustainability (now DECC)	Re-use	Waste material used back into the same product
DJSI	Dow Jones Sustainability (Asia Pacific) Index	RHS&B	Roads, highways, subdivisions and bridges
DMG	De Martin & Gasparini	RIFR	Recordable injury frequency rate; the number of employee injuries that result in medical treatment as well as those that result in lost work time per million work hours
DRET	Department of Resources, Energy and Tourism	ROFE	Return on funds employed
DRP	Dividend Reinvestment Plan	SAR	Share Acquisition Rights
EBIT	Earnings before interest and tax	SBE	Standard brick equivalent
EBITDA	Earnings before interest, tax, depreciation and amortisation	SEDA	Sustainable Energy Development Authority (now integrated into DECC)
ECCTWG	Energy and Climate Change Technical Working Group	SEPL	Sawmillers Exports Pty Ltd
EEO	Energy Efficiency Opportunities	SIB	Stay-in-business
EGM	Executive General Manager	Squares	A measure of area used in roofing in the USA; one square = 100 square feet
EITE	Emissions-intensive trade-exposed	Staff turnover	The number of employee departures during the year divided by the average number of full-time equivalent employees during year, and multiplied by 100
EMS	Environment Management System	STI	Short term incentive
EOP	Executive Option Plan	TSR	Total shareholder return; an annualised calculation which takes into consideration both capital and dividend returns
EOWA	Equal Opportunity for Women in the Workplace Agency	Total sites	Wholly owned or at least 50% owned JV operating sites and sales, administration and distribution offices
EPA	Environmental Protection Authority	Tranches	Additional securities/loans based on a common attribute such as date issued
EPS	Earnings per share	Water usage	Reported water usage is the amount of mains water consumed for the 12 month period to 30 June or in some cases for the 12 month period covered by usage invoices that most closely match the financial year ended 30 June
FACT	Fly ash carbon treatment	WACC	Weighted average cost of capital (including the cost of debt and the cost of equity)
Fly Ash	A by-product of coal-fired electricity generating plants; with cementitious properties it is used as an additive in cement		
FTE	Full-time equivalent; used for reporting the number of employees and contractors		
FY	Financial Year		
GJ	Gigajoule		
GHG	Greenhouse gases are gases in the atmosphere that are linked to the greenhouse effect. The main GHG are CO <sub>2</sub> and methane.		
GRI	Global Reporting Initiative		
GRA	Gypsum Resources Australia		

# Boral



We are continuing to lift performance in the short-term  
and develop a sustainable position for the long-term

Boral Limited Sustainability Report 2009



## Boral's overriding objective is to "deliver superior returns in a sustainable way" in a financial, social and environmental sense.

### About this report

This Sustainability Report is Boral's sixth annual sustainability report. The Report addresses the issues we have identified as most important to our stakeholders and outlines our sustainability strategy, management approach, priorities and goals, and performance. Our stakeholders include: shareholders, employees, customers, suppliers and contractors, local communities and neighbours, and government and regulators.

The data included in this Report are for Boral Limited and 100% Boral owned and controlled subsidiaries, unless otherwise stated, and are for the year ended 30 June 2009.

The data and commentary in this Report are assured in accordance with the AA1000 Assurance Standard 2008 (refer to page s42), which requires the report to be assessed against the principles of Inclusivity, Materiality and Responsiveness.

Our report applies the Global Reporting Initiative (GRI) reporting framework to an A+ level, which means that we have undertaken all G3 Profile and Management Approach disclosures and reported on all core indicators. We have provided an explanation about any core indicators that we have not reported against. The GRI Index is available on our website [www.boral.com.au/sustainability](http://www.boral.com.au/sustainability).

Any feedback or queries on our sustainability performance and reporting should be directed through the "Contact Us" link on our website ([www.boral.com.au](http://www.boral.com.au)) or by contacting Boral Corporate Affairs at [CorporateAffairs@boral.com.au](mailto:CorporateAffairs@boral.com.au) or on (02) 9220 6300.

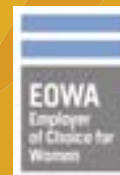
### External recognition



Since 2005



CRI Leaders Network in 2009



Since 2008



Climate Leadership Index (Aus-NZ) member since 2006



### 2009 Sustainability Report contents

Message from the Managing Director **s2**

Sustainability Priorities and Performance **s4**

Sustainability Data Table **s7**

Managing Sustainability **s8**

Human Resources

Our People **s12**

Health and Safety **s16**

Our Environment **s18**

Marketplace and Supply Chain **s24**

Social Responsibility

Our Stakeholders **s26**

Community Investment **s28**

Divisional Performance

Australian Construction Materials **s30**

Cement and Construction Related Businesses **s32**

Clay & Concrete Products **s34**

Timber **s36**

Plasterboard **s38**

USA **s40**

Independent Assurance Statement **s42**

Glossary **s43**



Front Cover: Emily Strang, Peter Bush, Steve Podmore and Andrea Pidcock in training for the JDRF Ride to Cure Diabetes held in South Australia each January.

Boral is an integrated resource-based manufacturing company with strong upstream reserves and downstream market positions in building and construction materials markets in Australia, the USA and Asia.

We have 14,766 full-time equivalent employees around 5,700 full-time equivalent contractors and some 3,000 joint venture employees working across 706 operating sites and 143 distribution sites and offices in 13 countries.

Boral had sales of \$4.9 billion in 2008/09 and is listed on the Australian Securities Exchange.

#### Our resources

Boral has long-term and well positioned hard rock, sand and gravel reserves as well as valuable limestone, shale, clay and gypsum reserves. Boral's access to timber resources are primarily through long-term supply agreements with Forests NSW.

#### Our products

We produce and distribute a broad range of construction materials, including quarry products, cement, fly ash, concrete and asphalt; and building products including clay bricks and pavers, clay and concrete roof tiles, concrete masonry products, plasterboard, windows and timber.

#### Our markets

We are generally number one or two in the markets in which we operate. We service the building and construction materials segments, including new residential, non-residential and major infrastructure projects such as roads, highways, subdivisions and bridges.

In 2008/09, most of Boral's markets declined as a result of the global recession. In response, production was lowered and cost reduction programs were implemented. Nevertheless, our sustainability programs continued and capital investments made in recent years delivered environmental benefits.

Key performance outcomes for 2008/09:

- Lost time injury frequency rate down 28% to **1.8**, which was better than targeted performance improvement
- Employee turnover of **24%** in line with last year remains high due to a reduction in the workforce, particularly in the USA, resulting from the economic downturn
- Mains water consumption down 22% to **2,285 million litres**, reflecting lower production, higher use of rainwater and water efficiency gains
- Greenhouse gas emissions down 8% to **3.62 million tonnes** of CO<sub>2</sub>, mainly due to lower production
- By-products and waste material re-used or recycled of **4.62 million tonnes**, down by 17% reflecting lower production volumes

#### Extraction



#### Manufacturing



#### Distribution



#### Product use



#### End of life



# Message from the Managing Director



Rod Pearce

**In 2000, at my first Annual General Meeting as Boral's CEO, a shareholder asked the question, "What sort of improvement targets are being set in areas such as ethics and employee relations and how will we know you've improved by next year?" I was also asked, "How is Boral meeting its responsibilities in regard to greenhouse gas emissions?"**

**These simple questions had quite an impact on what we did next. We had already set clear financial objectives and targets and disclosed them publicly and had started to think about the development of the Boral Sustainability Diagnostic Tool (BSDT) as an internal tool. However, our shareholders' questions and broader interest in Boral's sustainability performance strengthened our resolve to set challenging targets and establish a framework against which to report our performance.**

This year, we completed the fifth round of BSDT assessments since its introduction in 2001. With an overall score of 3.1, Boral's businesses are broadly performing at Industry Best Practice (Level 3) across 20 areas of sustainability, which was a target that we had set ourselves eight years ago. We have clearly demonstrated continuous improvement since 2001 when our businesses received an average BSDT score of 1.55. Pleasingly, our 2009 score of 3.1 out of a possible 4.0 (World's Best Practice), has been achieved at the same time as the standards required to reach each BSDT level have been reviewed and increased in line with higher community expectations and global standards.

To demonstrate best practice performance at these levels, our businesses are required to have: data collection systems and measurable targets in place; comprehensive stakeholder programs; integrated risk management systems; formalised sustainability programs; a good understanding of how we are performing relative to our peers; and demonstrated performance improvement.

## Safety

Over the past 10 years and in 2008/09, Boral's safety performance has strengthened, with strong improvements in the key performance indicators of lost time injury frequency rate (LTIFR) and percentage hours lost.

Our safety targets are set at a 25% improvement on the last three-year average for each of Boral's divisions. Overall, Boral's performance was again ahead of target in 2008/09. Employee LTIFR of 1.8 compares with an improvement target of 2.5 and percentage hours lost of 0.06 was better than the targeted improvement of 0.07. Contractor LTIFR of 2.4 was a 58% improvement on last year and compares with a targeted improvement of 4.9. All divisions except Timber were broadly in line with or better than their employee safety targets and all divisions except Plasterboard exceeded their contractor safety targets.

The greatest disappointment in our performance in 2008/09 was the tragic transport related death of an employee in Indonesia in November 2008. The employee, a security guard at our Jelambar concrete batching plant in Central Jakarta, was fatally injured in an accident involving two concrete trucks. The incident was immediately investigated and, as a result, a number of changes were made to improve the site traffic management plan including pedestrian and vehicle separation. Lessons learnt

from this tragic incident have been reviewed across Boral and improvements implemented to minimise the risk of similar incidents occurring again.

## Climate change performance and targets

In 2008/09, Boral's emissions totalled 3.62 million tonnes of CO<sub>2</sub>, which on a comparable basis was 8% lower than 2007/08, largely due to lower production volumes in the USA and Australia. Underlying efficiency improvements have also been delivered in some businesses, which will help us to manage our emissions as markets recover.

Boral has undertaken projects to reduce energy consumption and greenhouse gas emissions, and we have identified further abatement opportunities in the areas of energy efficiency, renewable energy, alternate fuels and alternate materials. These potential projects have been consolidated into an overarching abatement cost curve to assist in prioritising opportunities and capital investments. The implementation of these abatement opportunities is dependent on the anticipated cost of carbon in a trading environment, the costs to Boral for implementing identified abatement initiatives and available technologies.

Through strategic planning processes and the application of longer-term growth rates, we have established a forecast for Boral's future emissions out to 2020. On a business as usual basis, we predict that Boral's total emissions would increase from around 3.93 million tonnes of CO<sub>2</sub> in 2007 to around 4.8 million tonnes per annum by 2020. In Australia, Boral's emissions are projected to grow from 3.45 million tonnes per annum in 2007 to 4.2 million tonnes per annum by 2020.

In 2007, we set a climate change target to at least hold Boral's absolute greenhouse gas emissions steady and to offset any increase in emissions associated with market demand growth by reducing emissions per tonne of production.

The Australian Government has proposed a minimum target for the country of reducing emissions to 5% below 2000 levels by 2020. For Boral's Australian operations, this is approximately 35% below business as usual emissions by 2020, and it is around 20% below the internal target of offsetting future emissions growth that we set ourselves in 2007. This is an extremely challenging target for Boral, requiring the abatement of around 1.4 million tonnes of business as usual emissions per annum from Boral's Australian operations by 2020.



In our current business plans, we have identified emission abatement initiatives for our Australian operations that would deliver around 45% of the 5% below 2000 emissions target, based on known technologies and anticipated carbon prices. Beyond this, we have identified additional potential abatement initiatives that could reduce our annual CO<sub>2</sub> emissions by a further 55% of the targeted reduction, but these projects are not yet justifiable on foreseeable economics or with existing technologies. There is a lot more to be done if we are to achieve the Government's target of a 5% reduction on 2000 emission levels by 2020. We need to see significant advances in the cost effectiveness of emerging technologies such as carbon capture and storage, and we need to consider plant closures and restructuring options. Beyond internal abatement initiatives, we need to consider the cost effectiveness of purchasing carbon permits and of sourcing carbon offsets from the offshore CDM market<sup>1</sup>.

### Emissions trading

As Australia has worked to develop an emissions trading scheme over the past few years, Boral has consistently argued that there is a need for the cement industry to be recognised as an emissions-intensive trade-exposed (EITE) industry and for EITE operations to receive appropriate transitional assistance ahead of Australia's key trading partners adopting similar carbon pricing regimes.

The current form of the Carbon Pollution Reduction Scheme (CPRS) proposed by the Government is a significant improvement over its earlier proposals; it more appropriately recognises EITE industries and through the provision of transitional assistance it better maintains Australia's competitiveness until such time as there is a regional, sectoral and global response. We are pleased with the most recent modifications, including the delay to the proposed start date to 1 July 2011, the fixing of the carbon price in the first year at \$10/tonne and the 5% increase in initial EITE assistance to recognise the current economic downturn.

While the proposed CPRS is much better in its current form than when originally proposed, there remain concerns. The EITE activity definition should include all affected activities, including cement milling in the case of the cement industry. Assistance provided to the cement industry appears to be broadly sufficient at the start of the scheme, but over the first five years of the scheme, the level of transitional assistance decays significantly. This decline in the absence of a global carbon price will potentially have a significant impact on the industry.

With the exception of the cement business, which competes with imports, we expect that Boral's businesses will offset the increased costs associated with the CPRS with price increases and cost reduction initiatives. However, the estimated incremental costs as a result of the CPRS for Boral's cement business will increase by a factor of around six times from 2012 to 2017 (and will continue to grow) as a result of a decline in EITE assistance of 1.3% per annum, the removal of the 5% "recession buffer" and the increase in the price of carbon. To preserve Australia's competitiveness, in the absence of a global carbon price, sectoral review mechanisms must be a feature of the CPRS legislation. We are continuing to reinforce these issues with the Australian Government.

The USA has introduced a major cap and trade (and energy efficiency) bill, the American Clean Energy and Security Act, which is being debated in Congress. Boral's US CO<sub>2</sub> emissions are typically in the range of 0.4-0.5 million tonnes per annum at longer-term average production levels (they were 0.23 million tonnes in 2008/09, reflecting the significant downturn in US markets and production). We have identified and continue to pursue a number of abatement initiatives in the USA, particularly focused on alternative fuels. These will deliver solid reductions against business as usual emissions as markets recover, with scope for further reductions as additional potential projects become economically viable.

### Impacts of the global economic downturn

The past year has been challenging, as the global economic downturn has led to a significant decline in production volumes. In the USA, we are operating our plants at around 20-30% of capacity, with eight of Boral's 23 brick plants mothballed and a further six temporarily closed until market demand recovers. In Australia, we are running our plants at between around 50% and 80% of capacity as a result of the downturn in residential and non-residential demand. We have suspended production at several operations, including at our Walcha timber mill, Galong lime kiln, Kempsey brick plant and Midland Brick's kiln 8.

Boral's 2008/09 profit after tax of \$142 million is a 42% reduction on the prior year. Accelerated cost reduction programs have been implemented across the Company, which has had a notable impact on Boral's labour force. Employee numbers at June 2009 expressed as full-time equivalent (FTE) employees have fallen by around 7% from June 2008. In the USA, around 600 employees or around 28% of the workforce were laid off in 2008/09 and in our Australian operations, the number of FTE employees at June 2009 reduced by around 500 or 5% compared to last year. Across

most operations we are using significantly less contractor labour and overtime has significantly reduced. Overall, Boral's employee and contract labour FTEs reduced by 2,460 or 11% in 2008/09.

Despite the challenging times, and the need to reduce costs, we have not cut expenditure on our sustainability programs. We recognise that our community partners are also facing challenges and broadly speaking we have maintained, or in some cases increased, our level of support through our community programs.

At the end of the year I will retire as Boral's CEO and Managing Director. I am confident and proud of the fact that the Company's sustainability programs are delivering long-lasting benefits to Boral's customers, employees, communities and shareholders. Our systems and approach to managing the business in a sustainable way have evolved and matured and we have worked hard to demonstrate that we are managing our businesses in line with best practice.

The Company is well positioned to deliver further performance improvements, particularly in the areas of reducing greenhouse gas emissions and other environmental impacts, sustainable product development, responsible supply chain management and safety management.

I congratulate and thank Boral's employees for their commitment, teamwork and determination to do things in a more sustainable way, particularly in these challenging times.



Rod Pearse, CEO AND MANAGING DIRECTOR

<sup>1</sup> The Clean Development Mechanism (CDM), an arrangement established under the Kyoto Protocol, allows industrialised countries with a greenhouse gas reduction commitment to invest in abatement and offset projects in developing countries as an alternative to more expensive emission reductions in their own countries.

## Sustainability Priorities and Performance

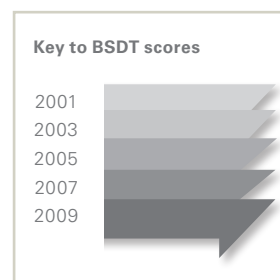
Boral's sustainability priorities are integrated into our internally developed Boral Sustainability Diagnostic Tool (BSDT). The BSDT comprises 20 elements which represent what is important to meet our commitment to sustainable development. The elements are outlined below (pages s4 to s6). The first seven focus on "Sustainability Management" while the remaining 13 are considered to represent Boral's sustainability performance priorities. The listed goals/targets for each sustainability priority are a selection of a broader number of performance requirements to achieve Industry Best Practice, as well as Boral's policies and Values.

### More about the BSDT

BSDT performance assessments against each element are undertaken across Boral's businesses every two years, with performance graded Level 1 (Compliance/Reactive), Level 2 (Proactive), Level 3 (Industry Best Practice) or Level 4 (World's Best Practice). The assessment process is used to set improvement targets and monitor progress. Our aim is to reach and sustain a standard of Industry Best Practice (Level 3) across our businesses and for each element.

Developed in 2000/01 in conjunction with a specialist consultant, the BSDT has been refined on a biennial basis to reflect developments in sustainability principles. During 2008/09, the criteria for each performance level were independently verified by Net Balance to ensure alignment with best practice.

The latest assessments were undertaken in 2009. A total of 49 businesses were assessed across Boral. An assurance statement was issued by Net Balance for 41 Australian operations reviewed. The BSDT scores for each element below are for Australian and US businesses only. The BSDT was progressively introduced into Asia from 2005, with the current BSDT score for Asia 1.8, up from 1.6 in 2007.



	Our goals/targets	Examples of our performance in FY2009	BSDT scores
<b>Sustainability Management</b>			
<b>Scope of commitment</b>	Measurable sustainability targets for all aspects of the business are incorporated into business plans Managers are personally involved in sustainability initiatives	Strengthened divisional strategic environmental plans Sustainability focus at annual senior management conference More business managers involved in sustainability initiatives	3.3
<b>Management systems – Quality, Environmental, Health and Safety</b>	Stakeholder input is used in the assessment of the effectiveness of management systems All management systems undergo regular independent review	Council and community representatives involved in air quality monitoring at Berrima cement works Third party review in accordance with ISO 14001 of Australian Construction Material's environmental management system	3.1
<b>Accountability and performance</b>	Managers' performance assessments and reward systems are linked with sustainability objectives	Sustainability objectives linked to incentives and reward systems including safety (refer to Remuneration Report, page 43)	3.1
<b>Budgeting and financial</b>	Business plans, budgets and reports include substantial detail on sustainability performance	Comprehensive modelling of CPRS and related impacts Retained investment in independent assurance of sustainability report, BSDT program and community partnerships	3.2
<b>Risk management – new business and/or development, plant and equipment</b>	All products and services are analysed for long-term impacts and decisions taken on precautionary principle approach Sustainability risks and outcomes are considered in new business and/or plant and equipment decisions	Sustainability risk assessments integrated into planning process Resources allocated to product lifecycle assessment work Sustainability focus in capital works programs (eg Terre Haute brick plant in USA and Pinkenba plasterboard plant in Queensland)	3.2

	Our goals/targets	Examples of our performance in FY2009	BSDT scores
<b>Sustainability Management</b>			
<b>Compliance review and reporting (CRR)</b>	Sustainability performance is regularly reported externally CRR is integrated with performance management and business planning systems	2009 Sustainability Report; participant in Carbon Disclosure Project, Corporate Responsibility Index, FTSE4Good and DJSI Completed internal trial of NGRS reporting	3.2
<b>Continuous improvement</b>	Plans and processes are reviewed regularly to incorporate new technologies and best practice R&D strategy includes a sustainability focus	Internal innovation forum to share learnings and strengthen development of sustainable products New products developed include: ENVIRO™ plasterboard, PACT by BMTI, and solar capacity roofing system in US Tile	3.3
<b>Human Resources</b>			
<b>Health, safety and wellbeing</b>	Zero fatalities At least 25% improvement in LTIFR and % hours lost for employees and contractors over average for prior three years	One employee fatality in Indonesia Employee LTIFR of 1.8 and contractor LTIFR of 2.4, down 36% and down 58% on past three year average, respectively	3.1
<b>Employee and labour relations</b>	To have the best people in our industries To maximise workforce satisfaction, productivity and retention	92% of employees moderately or highly engaged, up 1% Maintained EOWA Employer of Choice for Women status Employee turnover of 24% <sup>1</sup> consistent with last year	3.1
<b>Communications, awareness and training</b>	Provide our people with appropriate training and knowledge on sustainability and business issues to deliver on our objectives	1,691 employees trained through Boral's global learning programs, including Leading Health & Safety program; supplemented by safety, environment, trade practices, ethics and compliance training	3.1
<b>Environment</b>			
<b>Energy conservation and climate change</b>	Reduce emissions per unit and offset Boral's increase in absolute emissions as a result of market demand growth	CO <sub>2</sub> emissions down 8% <sup>2</sup> to 3.62 million tonnes, largely due to lower production, especially in the USA	2.9
<b>Water conservation, extraction and protection</b>	Reduce reliance on mains water and overall water consumption Undertake strategic and operational risk assessments of the operational impacts on water systems	Mains water use down 22% <sup>3</sup> on last year to 2,285 million litres Water management plans and targets in place for key sites	2.9
<b>Waste and resource management, recycling and re-use</b>	Minimise waste from our operations and increase waste re-used and recycled	Re-used or recycled between 38% and 114% of Boral's operations' production waste Estimated 4.62 million tonnes of waste and by-products recycled or re-used, down 17% on 2007/08	3.1
<b>Land protection, remediation and rehabilitation</b>	Prevent land contamination through well developed management systems and remediate contaminated sites to international standards for the site purpose Where possible, rehabilitation is part of ongoing resource extraction operations and completion plans incorporate development approval rehabilitation conditions	Maturing of quarry end use activities; Deer Park quarry landfill operation now a waste business with landfill gas generation Rehabilitation of former Prospect quarry to "Employment Lands"; innovative groundwater and stormwater management to reduce reliance on mains water supply for local golf club	3.0

1 This figure was reported as 23% in Boral's 2008 Sustainability Report and has been revised to 24% due to a reclassification of data in the USA.  
3 On a comparative basis.

2 In Boral's 2008 Sustainability Report, Boral's 2007/08 GHG emissions were reported as 3.79 million tonnes. This restated figure reflects new reporting methodologies in Australia and the USA, enhanced data collection and review processes. Refer to figure 17 on page s20.

	Our goals/targets	Examples of our performance in FY2009	BSDT scores
<b>Environment</b>			
<b>Environment and ecosystem protection</b>	<p>Strive for continuous improvement in the efficient use of natural resources</p> <p>Protect and, where possible, enhance biodiversity values at and around our facilities</p>	<p>Annual divisional environmental strategic plans incorporate targets for reduction in energy, water and waste</p> <p>18,720 trees/stems planted and 21,390 m<sup>2</sup> weeded and regenerated through Living Green Projects</p> <p>Narangba Quarry buffer lands used for 1,200 koala fodder trees</p>	<p>1.0 2.0 Target 3.0 4.0</p> <p>2.9</p>
<b>Marketplace and Supply Chain</b>			
<b>Strategic sourcing and supply chain</b>	<p>Manage Boral's supply chain in a sustainable way including consideration of compliance, environment, health and safety, labour rights, innovation and cost</p>	<p>Ongoing development and implementation of contractor management processes across businesses</p> <p>Strategic sourcing delivered above target performance, particularly in the area of cost reductions and risk management</p>	<p>3.0</p>
<b>Sales and marketing</b>	<p>Provide customers with better value and service than our competitors</p> <p>Consult and collaborate with customers in the development of sustainable products</p> <p>Conduct lifecycle evaluations on core products and services</p>	<p>Perception study of consumers and builders identified a need for Boral to better communicate successful initiatives</p> <p>Supplied bricks into Perth's first 8-star house and Envirocrete™, ENVIRO™ plasterboard and Silkwood into Australia's first 9-star house</p> <p>Participated in industry and internal lifecycle work</p>	<p>2.9</p>
<b>Social Responsibility</b>			
<b>Community relations and engagement</b>	<p>Maintain support and goodwill of communities through constructive engagement on relevant issues</p> <p>Make a meaningful contribution to the social and economic well-being of our communities while providing value through support of business objectives and community relations</p>	<p>Formal community consultation at key operational sites</p> <p>\$569,853 invested in eight key community programs including the Red Cross, plus \$600,422 to Juvenile Diabetes Research Foundation and the Red Cross through employee fundraising</p> <p>483 volunteer days across 63 conservation projects</p>	<p>2.9</p>
<b>Business ethics and corporate governance</b>	<p>Boral companies and employees must observe both the letter and the spirit of the law and adhere to high standards of business conduct and strive for best practice</p>	<p>66 employees dismissed for serious breach of policy</p> <p>616 Australian staff undertook online Trade Practices Act training and 460 attended face to face training; 107 US employees completed Ethics and Compliance online training and 505 attended Code of Conduct and antitrust training</p> <p>Remuneration Review to align with best practice</p>	<p>3.0</p>
<b>External relations and communications</b>	<p>Understand and consider stakeholders' views on Boral's sustainability priorities and performance</p> <p>Engage in policy shaping on sustainability issues</p> <p>Provide reliable sustainability information to our stakeholders</p>	<p>Stakeholder feedback used to improve this Report</p> <p>Government submissions and dialogue around emissions trading and NGERS reporting</p> <p>Participated in the Carbon Disclosure Project (CDP7)</p>	<p>3.1</p>

## Sustainability Data Table

For the year ended 30 June	2009	2008	2007
<b>Boral's sites</b>			
Operating sites	706	718	707
Total sites	854	867	851
Operating countries	13	12	11

### Human Resources

#### People and safety

Employees, FTEs	14,766	15,928	16,194
Contractors, FTEs	~5,700	~7,000	–
Joint venture employees	~3,000	~3,400	~3,500
Employee LTIFR, per million hours worked	1.8	2.5	2.8
Contractor LTIFR, per million hours worked	2.4	5.7	5.7
Employee hours lost, %	0.06	0.08	0.09
Contractor hours lost, %	0.03	0.09	0.09

### Environment

#### Greenhouse gas emissions

CO <sub>2</sub> , tonnes (millions)	3.62	3.94 <sup>1</sup>	3.93 <sup>1</sup>
Equity share of JV CO <sub>2</sub> , tonnes (millions)	0.18	0.20	0.19

#### Energy consumed

Coal, tonnes ('000)	282.72	283.67	273.95
Natural gas, petajoules	10.53	13.20	14.31
Electricity, GWh	704.35	830.12	795.20
Diesel, litres (millions)	155.99	162.23	156.90
LPG, litres (millions)	13.07	4.72	5.15
Petrol, litres (millions)	6.85	8.44	9.31
Alternative fuels, petajoules	2.09	1.79	2.16

#### Water consumption

Mains water, litres (millions)	2,285.06	2,819.80	2,932.49
River water, litres (millions)	161.03	308.34	306.41
Surface water, litres (millions)	2,935.82	2,866.52	349.46
Ground/bore water, litres (millions)	604.58	791.93	130.04

#### Waste

Waste product produced, tonnes ('000)	1,001.85	1,372.21	977.06
Waste recycled/re-used <sup>2</sup> , %	38 – 114	43 – 100	33 – 100
External waste used, tonnes ('000)	3,805.18	4,322.91	2,298.74

### Social Responsibility

#### Community investment

in eight key partnerships (total cash and materials)	\$569,853	\$591,500	\$594,280
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<b>Employee fundraising</b>	<b>\$600,422</b>	\$443,000	\$336,000
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### Boral Reserves<sup>3</sup>

For the year ended 30 June 2009	Million tonnes	Years of reserves <sup>4</sup>
<b>Hard rock, sand and gravel</b>		
Australia	1,131	38
USA	98	36
Asia	66	38
<b>Limestone and shale</b>		
Australia	101	25
<b>Clay</b>		
Australia	96	45
USA	110	35

NOTE: Data is for Boral Limited and 100% owned and controlled subsidiaries, unless otherwise stated.

<sup>1</sup> Restated to reflect new reporting methodologies, enhanced data collection and review processes.

<sup>2</sup> Boral's waste recycled/re-used represents a range across Boral's products.

<sup>3</sup> Comprises reserves which are licensed for extraction and economically recoverable, with geological certainty in the proven and probable category.

<sup>4</sup> Typically, "years of reserves" are calculated based on current production rates; however, for the USA this number has been calculated based on longer-term average production rates, given the current significant downturn in demand.

## Managing Sustainability



**Underpinning Boral's objective of "superior performance in a sustainable way" is a robust corporate governance framework and management system.**

Boral's Board of Directors is accountable to shareholders for appropriately overseeing Boral's business, including sustainability matters. The Company's corporate governance practices and frameworks provide the means by which the Board monitors performance on behalf of shareholders.

Boral's Values, policies and operating frameworks provide guidance to its employees and managers in managing their businesses in a sustainable way.

### Corporate governance

Details of Boral's governance framework and practices are disclosed in the Corporate Governance section of the Annual Review (pages 31 to 37) and on our website. Responsibilities of Boral's Board which relate to sustainability are:

- oversight of the Company, including its conduct and accountability systems;
- reviewing the performance of the chief executive officer and senior management;

- reviewing sustainability performance and overseeing occupational health and safety and environmental management performance;
- meeting legal requirements and ensuring that the Company acts responsibly and ethically and prudently manages business risks and assets; and
- remuneration policies and practices for Boral and the remuneration arrangements for senior executives.

Executive General Managers, functional heads and the Managing Director regularly report to the Board on progress and performance as it relates to health and safety, climate change, broader aspects of environmental and community management, human resources and risk management.

### Management responsibility

Boral's Management Committee, which comprises Boral's Managing Director, divisional Executive General Managers and key functional General Managers, is responsible for delivering Boral's sustainability objectives.

Sustainability management is integrated into the day-to-day activities of line management. Specialists in health and safety, environmental services, corporate affairs and human resources provide advisory support and corporate functions. Sustainability matters are also integrated into individual managers' objectives, which are linked to variable remuneration outcomes.

Since January 2007, an internal Energy and Climate Change Technical Working Group (ECCTWG) has been in place to make recommendations and advise the Management Committee on technical issues relating to climate change matters. The ECCTWG reports back to the Management Committee on at least a bi-monthly basis. Work undertaken by the ECCTWG is discussed on page s19.

### Our Values

Boral's Values describe how we do things and influence our business activities. Our Values are: Leadership, Respect, Focus, Performance and Persistence. Our corporate Values are referred to in our Strategic Intent to reinforce their ongoing importance in Boral, and they are incorporated into annual performance reviews to assess behaviour or workplace style and effectiveness. Examples of expected behaviour are

provided for managers to ensure a common understanding of Boral's Values across the organisation.

### Our policies

The Boral Management Guidelines contain our formal Code of Corporate Conduct and 52 policies and guidelines setting out legal and ethical standards for employees. Our Code of Corporate Conduct articulates the standards of behaviour that are expected of Boral's employees in the performance of their duties. The Boral Management Guidelines are reviewed triennially and will be reviewed again in 2010.

### Boral Sustainability Diagnostic Tool

The BSDT assessment process is an integral tool in Boral's sustainability management and is discussed on page s4.

### Our management approach to our people

Most of our Human Resources (HR) activities are managed within divisional management structures, including: performance management and development plans; employee surveys; employee relations; organisational effectiveness reviews; divisional HR planning; recruitment and induction management; and maintenance of employee records.

Boral's line managers play a significant role in the daily HR processes. Boral has 52 specialist HR staff working within Boral's divisions, most of whom are actively involved in business processes to ensure that support is provided to line managers to deliver business plans and objectives.

A small corporate HR team provides an advisory and support service to the divisions, as well as managing centralised HR activities such as: superannuation; remuneration reviews and incentive schemes; learning and organisational development; health and safety direction; and workers' compensation.

The corporate function also plays a governance and assurance role for HR processes and behaviours and is responsible for: Boral-wide policies; succession planning; MBA and graduate recruitment; indigenous employment; management of expatriates; and HR planning for Boral.

HR strategy is developed at a divisional level and communicated through to the Board via divisional strategic plans on an annual basis.

Incorporated into the Boral Management Guidelines is a series of HR policies and guidelines including policies on diversity, employee complaints, harassment, induction, leave and performance management.

### Our management approach to health and safety

In line with our Value of Respect, Boral is committed to providing safe and healthy working environments for all people involved in our business, including employees, contractors, visitors and the general public.

We require all contractors to comply with Boral's health and safety requirements and they are also subject to Boral's internal audit and assessment programs.

#### Responsibilities

Across Boral's businesses, there is an emphasis on all managers demonstrating commitment and leadership – on being role models by doing what is right and not just what is expedient. This creates an environment where employees take personal responsibility for health and safety issues and for sharing information.

In addition to the health and safety professionals working in Boral's divisions, there is a small corporate health and safety function that provides advice and support to divisions and assurance to the Board of Directors and the Management Committee. The corporate function assists in safety management planning and Boral-wide or cross-divisional initiatives, audits and assessments, and reporting systems.

#### Management system

Boral's Health and Safety Management System embodies the requirements contained within Australian Standards 4801:2001 and 4804:2001 and has been designed to take account of the scope and diversity of Boral business functions.

Boral's Health and Safety Management System articulates the minimum requirements to ensure consistent practice across Boral's businesses whilst enabling each division and business unit to develop Health and Safety Management Systems that address their individual requirements.

Boral has a formal Health and Safety Policy which applies across all Boral businesses globally. The policy states our fundamental commitment to providing safe and healthy working conditions for all people involved in our operations, including employees, contractors, visitors and the general public, and how we work towards meeting that commitment. The policy is displayed at all Boral worksites and posted on our intranet and website.

Boral's Best Practice Elements (BPEs) broadly define the fundamental principles of health and safety activity at Boral. The BPEs are designed to enable each business to develop health and safety systems and processes that address individual business requirements while ensuring consistent high quality practice in critical safety areas across the organisation (refer to Figure 1).

Boral's High Consequence Protocols set out rules and procedures to manage specific hazards that are associated with serious injuries and fatalities. Boral's high risk hazards include mobile equipment; equipment safeguarding; isolation of plant and equipment; and working at heights. These protocols are integrated into Boral's Health and Safety Management System.

#### Accountability and performance management

Boral's BPEs define required levels of accountability and responsibility for safety performance. Individual management accountabilities are linked to strategic plans with performance measured and linked to managers' variable remuneration.

A component of the variable remuneration of Boral's Managing Director, Executive General Managers and senior line managers is also linked to safety performance.

#### Compliance review and reporting

The corporate health and safety team undertakes formal reviews of divisional performance, reporting back to the Management Committee and the Board on a regular basis.

In addition to business level reporting, the following internal reporting takes place:

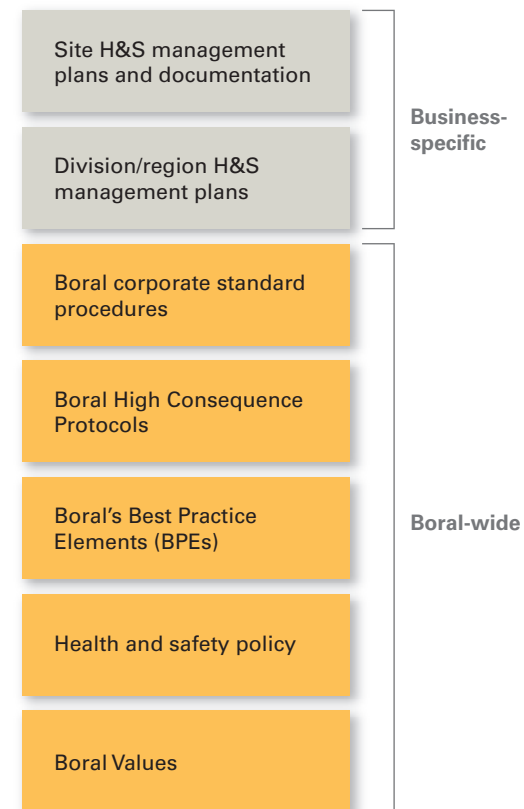
- Divisional management teams present their health and safety plans to the Board annually.
- The Management Committee reviews employee and contractor safety, including serious and potentially serious incidents, on a monthly basis.
- Safety results and updates are reviewed monthly by the Board of Directors.

Executive General Managers and business managers meet with the Board as soon as practicable to discuss and review all Boral-related accidents involving fatalities.

Boral's health and safety audit and assessment programs include corporate reviews against Boral's BPEs as well as a range of internal and independent third party audits and assessments which include:

- assessments of electrical safety management;
- management systems audits;

**Boral's Health and Safety Management System**, which is built on a foundation of solid corporate policies, standards and procedures, provides for the diversity and geographic spread of Boral's operations, and ensures accountability at the site level.



## Sustainability Management

## Managing Sustainability continued

- physical hazards audits;
- corrective action closeouts;
- regulatory compliance audits;
- contractor safety management audits; and
- audits against safety programs.

**Continuous improvement**

Boral's BPEs require continuous improvement in health and safety performance. Essential components of continuous improvement in safety outcomes include: engagement of Boral's people, communication, training and review.

Engagement is aided by safety programs which focus on changing behaviours and include such activities as "safety conversations". Hazard identification and corrective actions are closely monitored and communicated to ensure that corrective actions are taking place within planned time periods.

Communication and consultation with employees on health and safety is achieved through a number of different consultative mechanisms at sites. Boral has an estimated 250 health and safety groups which cover a substantial proportion of Boral's workforce. These groups take on a number of roles including hazard identification, monitoring corrective actions, reviewing safe working practices, and overviewing health, safety and ergonomic considerations before purchase of materials and equipment.

Divisional safety alerts are broadcast to communicate serious accidents and near miss cases. Where cross-divisional learning opportunities exist, safety alerts are communicated throughout Boral's global operations. Incidents are captured in Boral's safety management information system and responsibilities are assigned against corrective actions to ensure tracking and monitoring through to completion.

Health and safety training is conducted extensively across Boral's global operations. The Leading Health and Safety residential program is designed to enable leaders to influence behaviours and manage safety activities leading to a culture of zero harm. Other training programs include site-specific safety training for employees and contractors which includes consultation, risk management, safe work practices, emergency procedures and first aid.

Boral's divisions maintain employee training databases to ensure that required competencies have been identified and are monitored to ensure that ongoing training needs are met.

**Our management approach to environment****Responsibilities**

Most environmental responsibilities are managed within Boral businesses, with 32 full-time equivalent environmental professionals working across Boral's divisions. All divisions have a sustainability or environment manager at divisional level.

Boral's corporate Environmental Services department consists of five full-time environmental professional staff; it provides advisory support services to all divisions globally and undertakes a governance role, including auditing the businesses, and reporting back to divisional management, the Managing Director and the Board. In addition, Boral's Sustainability Reporting Manager provides regulatory reporting and external communications support.

**Management system**

Boral's approach to environmental management is to develop business level environmental management systems based on an overarching Boral Environmental Management System (EMS), which is based on the International Standard ISO 14001 "Environmental Management System – Specification with guidance for use".

Boral has a formal Environmental Policy which applies across all of Boral's businesses. Our policy states that we are committed to pursuing industry-specific best practice in environmental performance or more specifically:

- reducing greenhouse gas (GHG) emissions;
- protecting and, where possible, enhancing biodiversity;
- remediating our contaminated sites;
- complying with environmental legislation; and
- continual improvement of environmental performance.

Boral's environmental management procedures include tools to be used by Boral's businesses to develop and implement their own EMS, as set out in Boral's Environmental Policy, and include EMS System Procedures and Environmental General Procedures. The EMS System Procedures are designed to interpret ISO 14001 for Boral users, while the Environmental General Procedures are designed to set out Boral's particular operational requirements and to assist Boral's divisions to develop and maintain their own EMS.

Figure 1  
Boral's health and safety Best Practice Elements (BPEs)

**Planning**

- Planning and performance indicators

**Implementation**

- Leadership and commitment
- Acquisitions, modifications and divestments
- Risk management
- People and training
- Contractors and suppliers
- Employee involvement
- Communication
- Health and safety assurance and work environment
- Systems and procedures of work
- Health management
- Emergency preparedness and response
- Corrective and preventative action

**Measurement, evaluation and management review**

- Auditing and performance review



Formal ISO 14001 certification is maintained by Boral Roofing at Wye, our cement facility at Waurn Ponds and the SEPL woodchip operation at Kooragang Island. Australian Construction Materials (ACM) has also developed an ACM-specific EMS in accordance with ISO14001 which is currently being rolled out across the various regions.

Audit and assurance programs are integral to Boral's EMS. Boral's environmental audit and assurance programs undertaken during 2008/09 are outlined on page s18.

#### **Budgeting and financial management**

Environmental strategic plans are prepared annually by each of Boral's operating divisions and reviewed and approved by the Managing Director and Boral's General Manager, Environmental Services.

These plans have a one and five year outlook but include consideration of energy and GHG emission implications out to at least 2020. The plans focus on priority areas covered in Boral's Environmental Policy and areas of importance specific to individual businesses; they include targets and action plans.

#### **Compliance review and reporting**

The corporate Environmental Services team undertakes formal audits of divisional environmental performance and maintains a monthly reporting system for Australian operations, reporting back to the Management Committee and the Board on a regular basis.

Improved collection and management of environmental data, particularly relating to energy/GHG emissions, water and waste, has been a focus across Boral's businesses in recent years. Independent verification of environmental data takes place as part of Boral's annual sustainability reporting, as well as a number of government schemes.

#### **Continuous improvement**

Environmental training and communication are integral to continued improvement in environmental management and performance. Details of Boral's environmental training programs during 2008/09 are covered on page s18.

Environmental best practice is communicated internally through a number of channels, including: an annual environmental conference or roadshows which took place in five States this year, Boral's Awards for Excellence, an environmental newsletter, and Boral in the News.

#### **Ethical standards and compliance**

Boral's Code of Conduct states that Boral companies and employees must observe both the letter and the spirit of the

law and adhere to high standards of business conduct and strive for best practice. We take adherence to legal and ethical standards seriously. During 2008/09, 66 Boral employees were dismissed for serious breach of policy.

Boral's employees have access to a whistleblowing service known as FairCall to report possible fraud, illegal acts or misconduct. Calls made via the FairCall hotline are received by an independent service provider, KPMG, which then provides this information to appropriate Boral senior management. Outcomes are reported back to Boral's Audit Committee. FairCall has been in place since 2001. During 2008/09, 15 calls making new allegations to the FairCall hotline were logged, resulting in investigations.

Boral supports the Australian Government's commitment to the global fight against corruption and to raising public awareness about the foreign bribery offence under Australian Criminal Law.

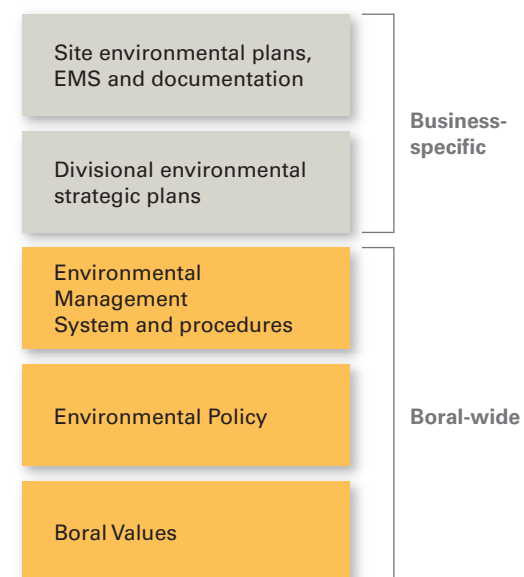
In addition to our Code of Conduct and FairCall whistleblowing services, we have formal policies in place that relate to offering or accepting bribes, kickbacks or gifts. They include our Gifts, Entertainment and Financial Inducements policy, Business Expenses policy, and Government Relations policy. These policies apply to all of Boral's operations globally. Induction programs for new managers and ongoing annual performance reviews are used for training and discussion regarding these matters. In addition, internal risk management processes include consideration of "high risk" countries<sup>1</sup>. In summary, Boral's policies and/or compliance systems:

- prohibit Boral's businesses, and agents acting on our behalf, from giving and receiving bribes;
- commit to obeying all relevant laws;
- restrict and ensure controls relating to political donations;
- restrict and ensure controls relating to facilitation payments; and
- restrict the giving and receiving of gifts.

Boral's joint venture business, Lafarge Boral Gypsum Asia (LBGA), which operates in countries including those identified as "high risk", is a 50/50 joint venture with Lafarge SA. Lafarge is a large French multinational company which comprehensively discloses information on its policies and practices, including those in relation to its Code of Business Conduct and bribery and corruption. Refer to [www.lafarge.com](http://www.lafarge.com) for more information.

Boral typically derives around 4-5% of revenues from "high risk" countries.

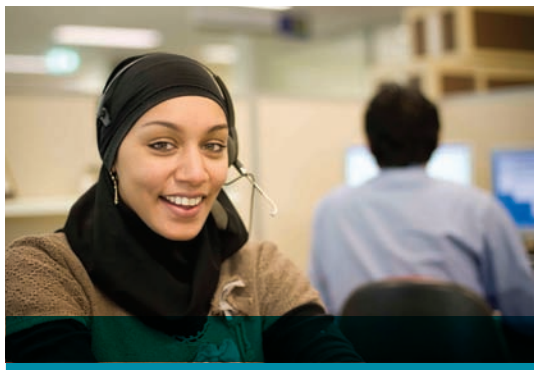
#### **Boral's Environmental Management System**



<sup>1</sup> "High risk" countries identified by the FTSE4Good Index include the following countries in which Boral operates: Indonesia and Thailand (and through joint ventures in China, the Philippines, India, Vietnam, Mexico and Trinidad).

Human Resources

# Our People



**To achieve our objective of having the best people in our industries, it is crucial that we attract, develop, engage and retain the best people at all levels. Our human resource (HR) strategies are developed to meet our internal requirements while addressing external challenges.**

This year, we faced an extremely difficult economic climate, particularly in the USA. To improve the long-term sustainability of Boral and to manage costs, some tough decisions were made. We reduced employment levels, overtime and contractor labour, and implemented salary and wage restraint measures for senior executives and around 4,500 salaried staff in Australia and the USA.

Providing a healthy and safe work environment is one of our key HR priorities, as evidenced by our ambitious safety targets. Tragically, we had a fatality during the year, which is reported in more detail on page s16. We are pleased, however, to have again exceeded our overall lost time injury frequency rate (LTIFR) and percentage hours lost continual improvement targets for employees and

contractors, which reflects our commitment and focus on safety management.

### Our workforce

As at 30 June 2009, Boral had 14,766 full-time equivalent (FTE) employees and around 5,700 FTE contractors working in Boral's operations. A further 3,000 or so employees were working in Boral's joint venture operations globally.

The number of FTE employees reduced by 7% during the year, with a significant 28% decline in the USA. In Australia, employee numbers were down by 5% and in Asia employment levels were down 1%. The reduction in Boral's workforce, particularly in the USA, is an outcome of the economic downturn, which has resulted in most of Boral's plants running well below capacity, with temporary plant shutdowns and the mothballing of some operations.

Across most operations, we used less contractors due to the market downturn. The estimated number of FTE contractors was down by 18% overall and 67% in the USA in 2008/09. Boral engages contractors in a range of activities including transport, maintenance, roof tiling, plasterboard installations, concrete placement and various professional services such as finance and information technology.

Absenteeism for Boral's Australian operations increased to 3.5% in 2008/09, up from 2.3% last year.

### Employee turnover

Employee turnover in Australia was 20% in 2008/09, down from 23% last year. In 2007/08, the high turnover reflected very tight labour markets, in Western Australia and Queensland. In 2008/09, however, the turnover reflected the reduction in the workforce due to the housing downturn.

Staff turnover in the USA was 60% in 2008/09, up from 37%<sup>3</sup> last year, reflecting the protracted US housing downturn. In Asia, turnover was 18%, down from 20% last year.

The average length of service of employees in Australia increased to 8.4 years, from 7.8 years last year. In the USA, average length of service increased to 11.1 from 10.2, while in Asia, average length of service increased from 4.6 to 4.8

At a glance	FY2009	FY2008
FTE employees	14,766	15,928
Joint venture employees	~3,000	~3,400
FTE contractors	~5,700	~7,000 <sup>1</sup>
Staff turnover	24%	24% <sup>2</sup>
Absenteeism (Australia)	3.5%	2.3%
LTIFR for employees	1.8	2.5
Percentage hours lost for employees	0.06	0.08
LTIFR for contractors	2.4	5.7
Percentage hours lost for contractors	0.03	0.09

Figure 2  
Employees by region

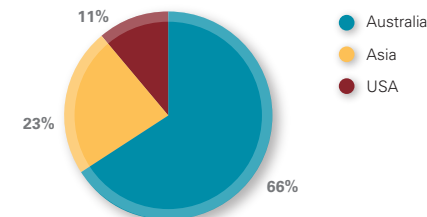
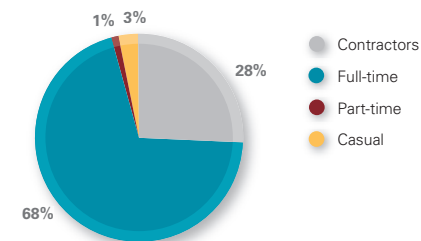


Figure 3  
Employment type



<sup>1</sup> Reported as ~5,700 in Boral's 2008 Sustainability Report and has been revised to ~7,000 due to enhanced data collection.

<sup>2</sup> Reported as 23% in Boral's 2008 Sustainability Report and has been revised to 24% due to reclassification of USA data.

<sup>3</sup> Reported as 29% in Boral's 2008 Sustainability Report and has been restated to 37% due to reclassification of USA data.

years. The proportion of all Boral employees with 11 or more years of service was 27%, up from 26% last year.

### Diversity

Boral's Diversity Policy outlines our commitment to operating in a manner that respects differences among employees, customers and communities. Diversity is the variety of skills, abilities, experiences and cultural backgrounds that enables people to achieve superior business and personal results. Diversity brings many benefits; we are increasingly encouraging greater diversity within our workplaces.

### Gender

For the second year in succession, Boral has been recognised as an Employer of Choice for Women. This award has been made by the Federal Government's Equal Opportunity for Women in the Workplace Agency, which monitors how employers manage their female workforce. The award recognises Boral's initiatives to create equity for women and, among other things, that its recruitment and promotion processes are merit-based and transparent.

Women represent 13% of Boral's employees at 30 June 2009, which is consistent with our industry sector, and is in line with last year. The proportion of female employees varies significantly by occupation. Women occupy 68% of clerical positions and 32% of sales positions. In contrast, men account for 98% of Boral's trade and plant/transport roles. Women occupy 9% of Boral's management positions, which is consistent with last year, but is significantly higher than the industry average of 6.5%.

The overall pay gap between males and females is 2.5%, which is significantly less than the industry average of 15.7%.

Some of Boral's initiatives aimed at attracting and retaining women include: Boral's parental policy, the "Springboard for Women" training program and Boral's new Care for Kids program (see page s15).

### Indigenous employment

Boral has had an Indigenous Employment Strategy since 2003 as part of our commitment to the employment of Aboriginal and Torres Strait Islander people. In partnership with the Federal Government's Corporate Leader Program, and managed by Boral's Indigenous Employment Coordinator, this strategy has seen a continual increase in the number of Indigenous people applying for and being successful in obtaining jobs with Boral. Boral employed 46 Indigenous people under its most recent Structured

Training and Employment Program (STEP) which is in place with the Federal Government (Department of Education, Employment and Workplace Relations).

Boral supports the NSW Government's Aboriginal Job Compacts, which are aiming to improve employment outcomes for Indigenous people in Dubbo, Tweed Heads, South Western Sydney, Eastern Sydney and Western Sydney. As part of this strategy, Boral is committed to better connecting with local Aboriginal communities, schools and TAFE Colleges to assist in improving community awareness of local employment opportunities.

Boral also works extensively on the retention and career development of Indigenous staff through Aboriginal Cross Cultural Training, establishment of a mentoring program for Indigenous staff and better community relations with their local Indigenous communities. This year, Boral sponsored two Outward Bound Aboriginal Leadership Programs for Indigenous youth in Western Sydney and in Kempsey; 30 young Indigenous people completed the programs.

### Personal development and training

An important part of Boral's people strategy is to ensure that our people have the right skills and capabilities to perform their jobs effectively and develop their careers. Providing appropriate training and development is a key component in achieving this strategy, as well as maximising workforce satisfaction, productivity and retention.

We use a range of methods to train and develop our people, spanning from on-the-job training through to leadership development programs. In general, on-the-job training and competency-based training for operational and frontline employees as well as contractors is managed within Boral's divisions. Boral's Organisational Development team provides learning, direction and support for the development of managers and future leaders through Learning at Boral (L@B).

During 2008/09, 1,691 employees participated in a range of training programs offered through Boral's global learning teams. 449 employees in Australia, Asia and the USA participated in Boral's leadership development programs.

Boral developed a formal Asia People Development Plan in 2007 to attract, develop and retain local people, identify future leaders and enhance management talent. In 2008/09, extensive work was undertaken across Boral's Asian operations and in the Lafarge Boral Gypsum Asia joint venture

Figure 4  
Employees by occupation

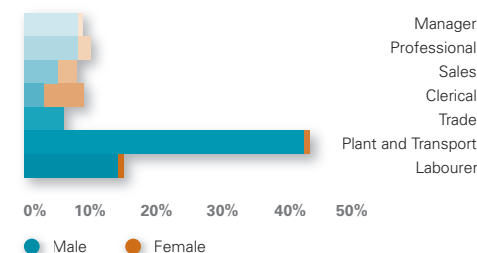


Figure 5  
Turnover in Australia by age

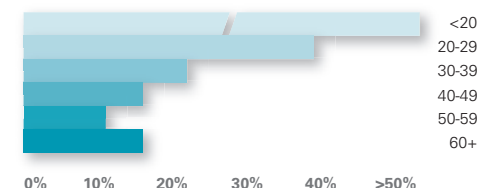


Figure 6  
Age profile of Boral's employees

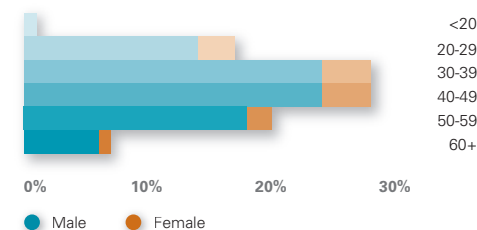
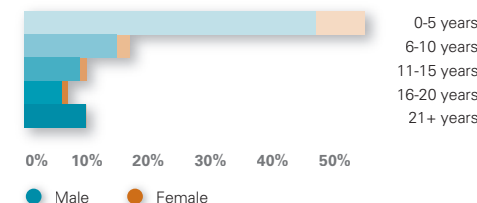


Figure 7  
Length of service of Boral's employees



Human Resources

Our People continued

to train more than 50 facilitators to deliver supervisory, safety and middle management training in their local languages.

Safety training is conducted by all of Boral's businesses and is complemented by Boral's centrally administered leadership program, Leading Health and Safety. This program focuses on safety culture and leadership. A total of 257 Boral employees participated in this program in 2008/09.

**Registered training organisation**

Boral's Australian Construction Materials division operates a registered training organisation (RTO). Boral's RTO uses the national training system, including competency standards and qualifications, to establish rigorous performance benchmarks for operator and some frontline, supervisor and management roles.

During 2008/09, 378 statements of attainment and 75 certificates at levels II, III, IV and V under the Australian Quality Training Framework (AQTF) were issued through Boral's RTO. A large number of employees undertake structured training on modules under the AQTF relevant to their work, but do not go on to complete a full certificate program. In addition to promoting entry level employment and up-skilling in non-salaried roles, Boral has an extensive number of registered traineeships in place, including 211 in Australian Construction Materials.

**Employee engagement**

Boral conducts independent employee satisfaction surveys on a regular basis. The results of these surveys allow us to identify and address areas that require attention in working towards our goal of maximising workforce satisfaction, productivity and retention.

In 2008/09, employee surveys were conducted in several of the business groups in Australia. A total of 1,620 employees responded, representing a 66% response rate (76% in 2007/08). The survey results indicate that our employees in Australia continue to be highly engaged and satisfied with working at Boral. 92% of Australian employees were engaged compared to 91% last year, with 49% of employees highly engaged compared to 43% last year.

The survey results indicate that there have been improvements in regard to fair pay and maintenance of workplace and equipment. Nevertheless, key issues which affect employee engagement that require ongoing attention

include: fair pay, work/life balance, training and coaching, resourcing, inclusive leadership style, communicating and involving employees in decisions, recognising good work and having a clear direction within Boral. These issues are indicative of the needs of our increasing numbers of Generations X and Y employees. Feedback sessions take place with our employees at a local level to discuss the survey results and likely actions in key areas.

In Asia, we engage with employees directly through a number of communication channels that promote two-way exchange of information. In Thailand Concrete & Quarries, for example, a number of measures were implemented in 2008/09 to improve employee engagement and hence morale as part of a broader business improvement plan. These initiatives included: a new vision for the business, improved communication initiatives for employees, and a new bonus scheme and objectives. Anecdotal evidence indicates that employee morale continues to improve.

**Employee relations**

This year saw further substantial change to the Australian workplace relations legislative framework, with the introduction of the Fair Work Act. This required a broad-ranging education program for key functional staff and line management and the introduction of new materials and tools to support the business. In addition to this in-house activity, Boral took a lead role for many building and construction materials industry groups in the award modernisation process.

Boral is working to understand the new legislative framework to ensure that we continue to achieve key business outcomes while maintaining our underlying employee relations strategy, based on engaging directly with our employees.

All of Boral's Australian non-salaried employees work under registered industrial instruments. Some 104 collective enterprise agreements operate in Australia, supplemented by a diminishing number of individual agreements, Australian Workplace Agreements and Individual Transitional Employment Agreements.

We estimate from our records of union payroll deductions that in Australia 37% of our non-salaried employees are financial members of a trade union and in the USA 11% of Boral's employees are members of a trade union.

Figure 8  
Number of staff participants in Boral's leadership development programs in 2008/09

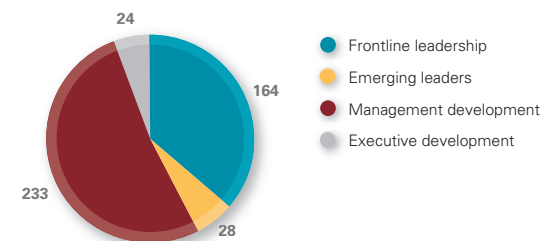
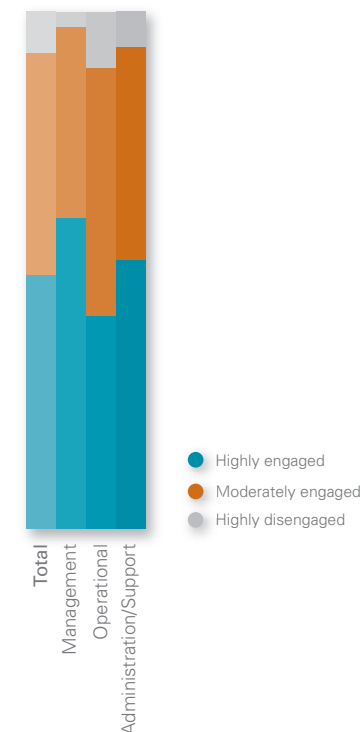


Figure 9  
Results from Boral's employee engagement surveys



## Celebrating our sustainability successes

Celebrating and communicating sustainability success is important for employee engagement and morale, as well as continuing to raise employee and contractor awareness of sustainability issues and initiatives.

Internally, the annual Boral Awards for Excellence recognise and celebrate the best achievements across Boral's businesses. Categories include: Safety, Environment and Community Relations, Innovation and People Practices. The Boral Awards for Excellence finalists and winners are also recognised through Boral in the News, which is distributed quarterly to employees, and available for external stakeholders via Boral's website. For a listing of the 2009 finalists and winners, refer to [www.boral.com.au/sustainability](http://www.boral.com.au/sustainability).

Externally, during 2008/09 Boral was:

- awarded Employer of Choice for Women status for the second year in succession by the Federal Government's Equal Opportunity for Women in the Workplace Agency (refer to page s13);
- included in the Carbon Disclosure Project Climate Leadership Index (Aus-NZ) for the fourth successive year;
- awarded a Gold Star rating in the Corporate Responsibility Index (CRI), ranking second out of the 35 participating organisations, and invited to join the CRI Leaders Network; and
- included in the Ethical Investor 50 by Corporate Monitor.

In September 2009 Boral was selected as a member of the Dow Jones Sustainability Asia Pacific Index.



## Managing and rewarding our people

Boral's remuneration practices are designed to be market-competitive to help us attract and retain the best people. We use variable at-risk remuneration to reward good performance and motivate employees to meet and exceed targets.

Of Boral's Australian workforce, about 59% work under an enterprise or industrial agreement, which generally involves hourly rates of remuneration and in some cases a productivity bonus; 34% are in salaried staff positions with an annual bonus linked to individual performance; and 7% are in management positions (including senior executives) which involve an annual short-term incentive tied to individual performance objectives and financial performance of the business. Details of Boral's remuneration policy and structure for executives, is included in the Remuneration Report found on pages 43 to 59 of the 2009 Annual Review.

Performance reviews are carried out annually for salaried and management staff (39% of all Australian employees in 2008/09) as part of our annual remuneration reviews. Performance reviews consist of a formal two-step performance management process, incorporating identification of individual development needs, and assessing performance against pre-agreed individual objectives.

A formal succession planning process focused on managerial positions is conducted on an annual basis. This enables us to identify talent and future leaders and develop our leaders through aligning individual development plans with participation in Boral's Leadership Development programs and providing opportunities for internal promotion.

## Work/life balance

Boral strives to support employees and families and encourage a greater focus on work/life balance. To facilitate this, flexible working arrangements are increasingly being adopted by Boral's businesses. Often these arrangements have been created due to maternity leave, return to work, breastfeeding, work location, semi-retirement and special circumstances relating to a sick employee or family member.

In Australia, Boral provides eight weeks paid maternity leave and one week paid paternity leave. Boral has also recently introduced the Boral Care for Kids program to help employees find appropriate child care.

Boral's community partnership programs are designed to allow employees to combine community-giving activities with their work schedules and with their family life. Through our community partnership programs, employees have access to family zoo passes for complimentary entry to Taronga and Western Plains Zoos and discounted tickets for partner events. Through our partnership with Outward Bound Australia, Boral funded 20 Family Re-Discovery scholarships in 2008/09 to employees with a high school, aged son or daughter.

In the USA, Boral provides six Educational Scholarships of US\$4,000 per year for four years towards the college tuition fees for children of employees.

Boral's employees in Australia also have access to the BWell program and BEAP (a counselling service for employees and their families). Further information on these programs is included on page s17.



### Boral Care for Kids program

In July 2009, Boral launched a new child care initiative – the Boral Care for Kids program. The program taps into Australia's most comprehensive online child care resource, providing parents with up-to-date information on child care. It brings together all the pieces of the child care puzzle to make it faster and simpler for families to match their children's needs with the right child care.

### Employees taking parental leave

	FY2009	FY2008
Maternity leave	110	94
Paternity leave	308	277

Human Resources

# Health and Safety

Boral's approach to health and safety is built on a solid foundation of corporate policies, standards and procedures. Details of Boral's approach to managing health and safety are provided in the Managing Sustainability section.

## Safety performance

Boral's lost time injury frequency rate (LTIFR) for employees was 1.8, down 28% compared to 2007/08. Percentage hours lost improved by 25% to 0.06 over the same period.

Our target is to reduce LTIFR and percentage hours lost by 25% on the previous three year average. The LTIFR of 1.8 and percentage hours lost of 0.06 both represent a 36% improvement on the previous three year averages.

Despite our improved safety performance and progress towards "zero harm", an employee in our Indonesian operations was killed during the year. Mr Hard Arapa, a security officer at our Jelambar concrete batching plant in Jakarta, died when he was struck by a reversing concrete agitator truck and crushed between it and a stationary truck. He was checking the security seal on the stationary vehicle at the time. We deeply regret this tragic incident. Following a comprehensive investigation into the accident, improved vehicle management processes were implemented at the site and other locations across the business to minimise the chance of a similar accident happening in the future.

Boral's LTIFR for contractors was 2.4, down 58% compared to last year and percentage hours lost was 0.03, down 67%. The significant improvement in safety performance reflects a more focused approach to contractor safety.

During 2008/09, Boral was prosecuted for one safety incident, and fined but not prosecuted for another. Both safety incidents occurred in New South Wales. In the first incident, a contract traffic controller was fatally injured in October 2005, when he was struck by a reversing light utility vehicle. Boral was prosecuted and pleaded guilty and was fined \$215,000. In the second incident, which occurred in January 2009, a contract operator was injured when he reached under a guard and his glove became caught in a roller pinch point, resulting in the loss of the tip of his little finger. Boral was fined \$3,000 for failure to eliminate a health/safety risk.

## Workers compensation

As shown on Figure 14, in 2008/09 Boral's workers compensation claim numbers decreased by 15% to 1,634, in line with 2005/06 and prior years. The Cement, Timber and USA divisions and Corporate had significant reductions in claim numbers.

Claim costs in 2008/09 increased by 15% to \$5.6 million, with the average cost per claim up 35% compared to last year. This increase predominantly reflects an increase in benefits to injured workers under the various state workers compensation schemes and a more conservative approach taken by insurers in estimating claims in the current economic climate.

We remain self-insured in South Australia and we are currently awaiting renewal of Boral's self-insurance licence for a further two to three years following completion of a recent audit.

## Risk management and injury types

Boral's businesses are required to effectively integrate management of health and safety risks into all work activities and processes. This requires a systematic process for hazard identification, risk assessment and development of control measures. Risks associated with identified hazards are assessed, taking into consideration both the probability of a hazard causing an actual incident and the potential severity of the consequences of such an incident. Control measures are then required to be implemented to effectively manage identified and assessed risks.

Boral uses statistical injury analysis to formulate action plans to address specific risks. As shown in Figure 12, nearly 50% of injuries in Boral's Australian workplaces in 2008/09 resulted from "hitting objects with part of the body" and "muscular stress". As shown in Figure 13, over 50% of the injuries sustained were to the hand/fingers, back/neck or leg/knee. Corrective actions including training and process redesign have been taken to reduce these types of injuries.

## Employee health and wellbeing

Boral requires its employees to be fit for work, with the required level of fitness depending on the nature of the work. Pre-employment medicals are conducted for most employees, to ensure that they are physically able to meet the demands of the job. In some higher-risk roles, regular employment medicals are also conducted.

Figure 10  
Lost time injury frequency rate\* (LTIFR)  
\* Per million hours worked

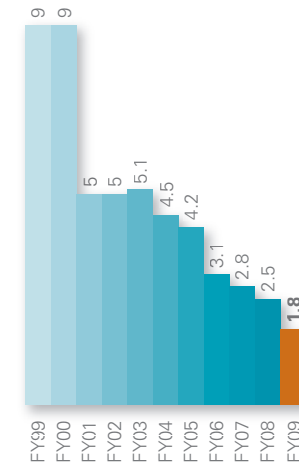
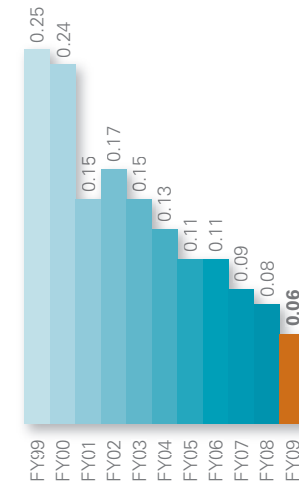


Figure 11  
Percentage hours lost



### Improving OHS management systems

During 2008/09, Australian Construction Materials (ACM) commenced the roll-out of a national ACM Occupational Health and Safety (OHS) Management System which will be fully implemented across its businesses over the next three years. This national platform will ensure consistent standards across all ACM businesses and eliminate the duplication of effort in developing and implementing health and safety strategies. Development of the national ACM OHS Management System involved a comprehensive consultation and stakeholder engagement strategy. This refocus and examination of OHS practices has led to revived interest and awareness of OHS, contributing to a significant improvement in ACM's safety performance in 2008/09. LTIFR of 2.6 was a 45% improvement.

Timber has made significant improvements to its foundation safety platform, Safe Mate, over the last 18 months. This has resulted in closer alignment with Boral's 14 Best Practice Elements; a subsequent increase of around 50% in the safety activities within the program; and the development of a comprehensive intranet portal for storage and sharing of safety information across the division. The annual rigorous Safe Mate Peer Audit process continues to prove the capability of the program by identifying opportunities for further growth and improvement.

It is Boral's policy to maintain a drug and alcohol-free work environment and Boral's operations have in place a range of activities to achieve this. The Company promotes drug and alcohol rehabilitation and will assist an employee who elects to enter a treatment program.

Beyond Boral's requirement for employees to be "fit for the job", Boral is committed to supporting the health and wellbeing of its employees. Boral's employee wellbeing program, BWell, is currently available to employees in Australia. In the USA, the program was put on hold in late 2008/09 due to cost reductions. In Australia, BWell provides three core services: annual or biennial health assessments, wellbeing awareness seminars conducted in working hours, and provision of educational information on health issues for employees and their families. BWell's health assessments are widely accessed by employees.

The BWell program aims to improve the health status and awareness of our employees through improvements in their lifestyle and diet. Amongst Boral's employees who have had two or more health assessments, the average number of risk factors has reduced from 2.8 to 2.7. The number of employees at the high end of the health risk spectrum with five or more undesirable risks has reduced by 9%.

#### BWell Program

	FY2009	FY2008
Health assessments – Australia	1,546	2,121
Health assessments – USA	~500	~800
BWell seminars – Australia	513	546

Many examples of improved health and wellbeing have been reported by employees as a result of increased health awareness and positive lifestyle changes.

Boral also offers employees and family members in Australia a confidential, free counselling program called BEAP (Boral Employee Assistance Program). BEAP provides short-term assistance and/or specialist advice on a range of personal and work issues that may affect their wellbeing. During 2008/09, a total of 344 employees and family members accessed the service for a new issue. The BEAP service also provided professional support and coaching to 21 managers in dealing with difficult or complex people issues.

### Managing security issues

The security issues facing Boral's employees and joint venture staff working in countries of political and social unrest are closely monitored. Boral engages global security advisers and our travel and security policies are reviewed and adjusted in response to the changing global situations. Boral regularly considers emerging global health and security issues that may affect Boral's operations and employees abroad.

Figure 12  
Mechanism of injury

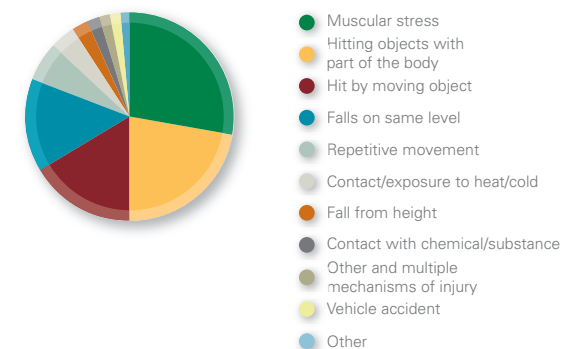


Figure 13  
Body part injured

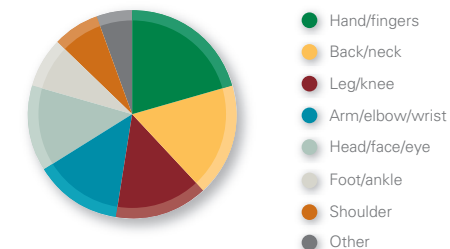


Figure 14  
Number of workers compensation claims

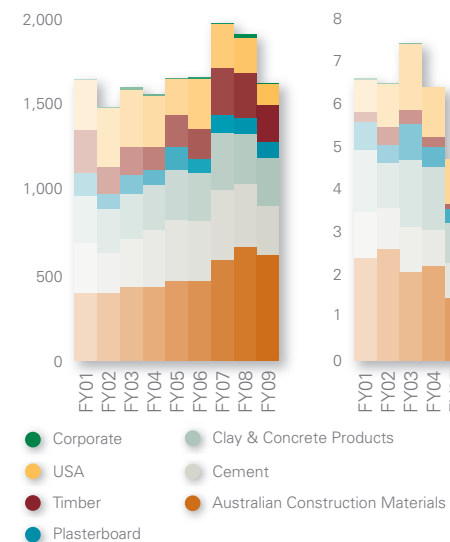
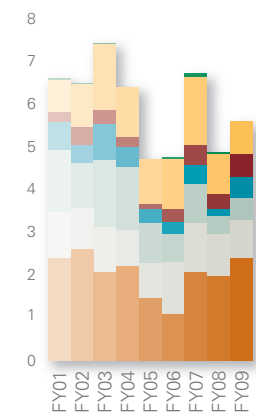


Figure 15  
Workers compensation claim costs (A\$million)



Environment

# Our Environment



**Participating in the emissions trading debate, preparing our businesses for the Australian Government’s proposed Carbon Pollution Reduction Scheme (CPRS) and reporting under the National Greenhouse and Energy Reporting System (NGERS) were key priorities during the year. Our businesses successfully carried out an internal trial under the NGERS reporting regime and we obtained independent emissions intensive trade-exposed (EITE) assurance for cement and lime greenhouse gas data in readiness for the proposed CPRS.**

Boral’s approach to managing the environment is detailed on pages s10 to s11.

### Environmental performance

An important part of Boral’s environmental strategy is to ensure that our people have the right knowledge and capabilities to perform their job and protect the environment. During 2008/09, Boral’s employees continued to receive the latest internal environmental training via 16 business-specific environmental awareness training

sessions (to 107 employees), one session on sustainable development (to 27 managers) and 11 environmental management sessions (to 89 employees). Numerous sessions were held with senior management teams on the continually developing area of energy and climate change. Business-specific environmental training takes place across the organisation; Australian Construction Materials has begun the roll-out it’s Environmental Management System.

In 2008/09, the corporate Environmental Services team carried out its fifth annual internal environment conference in five states. This year the conference highlighted state-specific issues, best practice sustainability management and shared learnings across the organisation. A total of 75 employees from across Boral’s businesses attended.

Audit and assurance programs are an important part of Boral’s EMS. In 2008/09, Environmental Services undertook 43 compliance and/or systems corporate audits, and nine acquisition and divestment audits. Business-specific auditing takes place across the Company. For example, Australian Construction Materials completed 283 internal environmental short-form and 49 third party audits. In the USA, Environmental Management System audits were conducted at 33 locations; this is part of the three year re-audit program for some 70 operating sites. To date, 61 locations have been audited and 1,260 issues identified, of which 72% have been completed.

In our Thailand and Indonesian businesses, best practice standards, auditing protocols and hazard/action registers to monitor closing out of actions are maintained. Our Indonesian business has continued to conduct an internal HSE audit program, auditing 14 plants during the year.

During 2008/09, Boral incurred nine Penalty Infringement Notices (PINs) in Australia (resulting in \$19,921 in fines) for environmental contraventions. Six PINs were issued for minor or technical non-compliances including: contraventions of development approvals relating to polluting of waters; the release of high pH waters and sediments into the stormwater drainage system; a concrete spill which resulted in the pollution of waters; and dumping of concrete wastes as fill.

At a glance	FY2009	FY2008
GHG emissions (million tonnes)	3.62	3.94 <sup>1</sup>
Energy (million GJ)	28.65	31.99
Mains water (million litres)	2,285	2,820
Waste recycled/re-used/ consumed (million tonnes)	4.62	5.58
NOx (tonnes)	6,308 <sup>2</sup>	–
SOx (tonnes)	1,837 <sup>2</sup>	–
Dust (PM10) (tonnes)	2,903 <sup>2</sup>	–

<sup>1</sup>In Boral’s 2008 Sustainability Report, Boral’s 2007/08 GHG emissions were reported as 3.79 million tonnes. This restated figure reflects new reporting methodologies in Australia and the USA, enhanced data collection and review processes.

<sup>2</sup>NOx, SOx and dust data is for 83 sites, which account for over 80% of Boral’s total greenhouse gas emissions, Boral’s remaining sites are below the NPI and TRI thresholds.



Three PINs were for issues detected in early 2007 at BCSC Berrima cement works, which resulted in extensive audits by the NSW Department of Environment and Climate Change and the NSW Department of Planning and agreed corrective action plans.

Boral Australian Gypsum Ltd was convicted in March 2009 in the NSW Land and Environment Court for a water pollution offence. A fine of \$58,500 was imposed and \$23,000 paid for prosecution costs for the likely polluting of the Parramatta River with low hazard surfactant. An electronic level sensor probe failed to switch off supply from an external bulk tank, overflowing a smaller batching tank and containment bund. There has been extensive re-engineering of the process at the site to prevent any possible recurrence, and more aggressive hazardous liquids risk assessments are being applied across the division.

There were no fines or prosecutions in the USA or Asia for environmental contraventions in 2008/09.

### Energy use and GHG emissions

Boral's operations consume a significant amount of energy and some businesses are particularly energy intensive. In 2008/09, greenhouse gas (GHG) emissions from Boral's fully owned businesses in Australia, the USA and Asia totalled 3.62 million tonnes of CO<sub>2</sub>. In addition, approximately 0.18 million tonnes of CO<sub>2</sub> were emitted from Boral's equity share of joint venture businesses.

In 2008/09, there were an additional 122,000 tonnes of CO<sub>2</sub> as a result of: increased reporting scope, including additional contractor data required under NGRS; landfill gas emissions that were previously unreported; and emissions from the Oklahoma construction materials business which was acquired during 2007/08. Excluding the increased reporting scope, Boral's absolute GHG emissions in 2008/09 decreased by 8% year on year. This decrease in emissions largely reflects lower production resulting from the significant housing market downturns in the USA and Australia.

Emissions from Boral's US operations were down by around 41% on a comparable basis or around 147,000 tonnes of CO<sub>2</sub>. In Australia, emissions were down 150,000 tonnes of CO<sub>2</sub> or around 4%. And in Asia, Boral's GHG emissions were down 22% or around 16,000 tonnes of CO<sub>2</sub>.

All divisions, with the exception of Plasterboard, reduced their absolute emissions during the year largely as a result of the market downturn. Plasterboard's emissions increased marginally due to the commissioning of the new Pinkenba

plant, which for a period of time required two plants to be operating in Queensland before the Northgate plant was decommissioned.

During the year, most of Boral's plants were operating well below capacity and a program of rolling plant shutdowns was implemented in most businesses to manage inventory levels and reduce production to match lower demand levels. Alternative fuel and energy efficiency improvements that have been implemented across the business will deliver greater benefits as market volumes recover and production lifts.

In Boral's Quarry business in Australia, efficiency gains of 2% were delivered during the year, reflecting continued energy audits and energy efficiency programs.

The distribution of Boral's energy use and related GHG emissions across Boral's businesses is summarised in Figure 16. In 2008/09, around two thirds of Boral's emissions were from the Blue Circle Southern Cement business (BCSC). Approximately half of BCSC's emissions were from calcination, the chemical process of forming clinker from limestone at high temperatures. In addition to GHG emissions from calcination of limestone, some 2.2 million tonnes of emissions per annum result from Boral's electricity, gas, coal and diesel consumption.

In 2008/09, GHG emissions from cement clinker production per tonne of cementitious material sold declined by 1% and remain around 10% below 1990 levels. Emissions per tonne of clinker production was steady reflecting fuel efficiency gains offsetting inefficiencies associated with lower production (see page s32). The reduction in emissions per tonne of cementitious material sold reflects increasing use of cement substitute materials such as fly ash and slag and kiln efficiency gains over a longer timeframe.

Divisional performance (on pages s30 to s41) provides more detailed energy and emissions efficiency data specific to Boral's businesses.

In 2007, we set a climate change target to at least hold Boral's absolute greenhouse gas emissions steady and to offset any increase in emissions associated with market demand growth by reducing emissions per tonne of production. On a comparative basis, Boral's emissions in 2008/09 were 8% below 2006/07 emissions.

Boral's cross-divisional and cross-functional Energy and Climate Change Technical Working Group (ECCTWG) has been in place since January 2007. The ECCTWG reports to Boral's Management Committee and continues to manage a

**To achieve an Industry Best Practice score of 3.0, Boral's businesses taken together should be able to demonstrate that the following goals have been achieved:**

BSDT element	Our goals
Energy conservation and climate change	<ul style="list-style-type: none"> <li>Involved in voluntary, industry sector energy efficiency or greenhouse programs including target setting;</li> <li>looking at alternate technologies to lower emissions;</li> <li>have systems in place to measure emissions; and</li> <li>can demonstrate positive performance trends when being compared with peers.</li> </ul>
Water conservation, extraction and protection	<ul style="list-style-type: none"> <li>Have consumption and cost savings tracking integrated into business reporting systems;</li> <li>undertake water risk assessments for all sites;</li> <li>incorporate reduction targets for key sites;</li> <li>achieve performance improvements; and</li> <li>demonstrate positive performance trends when being compared with peers.</li> </ul>
Waste and resource management, recycling and re-use	<ul style="list-style-type: none"> <li>Monitor waste streams across key operational areas and report on these relative to operational efficiency;</li> <li>conduct risk analyses to determine risks and opportunities associated with waste management and resource allocation;</li> <li>incorporate waste reduction targets for key sites;</li> <li>introduce approaches to improve the sustainability performance of products throughout their lifecycle; and</li> <li>demonstrate meaningful improvements in key areas.</li> </ul>
Land protection, remediation and rehabilitation	<ul style="list-style-type: none"> <li>Have management systems in place and well-trained people to prevent land contamination;</li> <li>evaluate land contamination risks and have systems in place to identify land contamination hazards and risks and to manage contaminated land liability holistically; and</li> <li>have a good understanding of rehabilitation conditions with completion plans for site closures.</li> </ul>
Environment and ecosystem protection	<ul style="list-style-type: none"> <li>Have undertaken comprehensive biodiversity investigations and implemented protection plans for all relevant sites.</li> </ul>

Environment

Our Environment continued

range of activities to prepare the business for future climate change impacts and an emissions trading environment.

Boral's businesses have undertaken a broad range of projects to reduce energy consumption and greenhouse gas emissions, and we have identified abatement opportunities in the areas of energy efficiency, renewable energy, alternate fuels and alternate materials. These potential projects have been consolidated into an overarching abatement cost curve to assist in prioritising opportunities and capital investments. The implementation of these abatement opportunities is dependent on the anticipated cost of carbon in a trading environment, the costs to Boral for implementing identified abatement initiatives and available technologies.

For a longer-term solution, we need to see the development of new technologies and fuel options. We are actively engaged in trials to develop such technologies. For example:

- During the year we doubled the number of concrete agitator vehicles from five to 10, in our trial to use compressed natural gas (CNG) rather than diesel. Results continue to indicate a significant cost reduction opportunity and a reduction of around 7% in GHG emissions per tonne of concrete delivered.
- In July 2009, through BCSC we signed a Memorandum of Understanding to work with Greenerth to explore geothermal energy opportunities at our Waurn Ponds cement works. The Waurn Ponds region is the most favourable prospect for hot sedimentary aquifer geothermal exploration in Victoria due to the proximity of the inferred resource to market. Whilst it is early days, it is possible that the project has potential to provide baseload renewable energy, low electricity distribution costs and carbon geological sequestration.
- Geological sequestration or carbon capture and storage has a number of location-specific constraints that may make it unworkable at many cement manufacturing works. There may be more potential in algal "biosequestration", which is an area of focus for the global cement industry. Through the Cement Industry Federation, Boral is actively involved in

global benchmarking and sharing of knowledge in this area at an international level.

Boral has been an active participant in voluntary energy efficiency and emission reduction schemes for more than a decade, including:

- Greenhouse Challenge Plus (member since 1997).
- NSW SEDA Energy Smart Business Program.
- DRET's Energy Efficiency Opportunities (EEO) Program (covering 18 sites representing 80% of Boral's emissions in Australia).
- NSW Greenhouse Gas Reduction Scheme (NSW GGAS).
- EPA Victoria Greenhouse Program (now Environment and Resource Efficiency Plans).
- NSW Department of Energy, Utilities and Sustainability's (DEUS) (now DECC) Energy Saving Action Plans.
- Californian Climate Action Registry (covering US Tiles).

Participation in these schemes generally requires Boral's businesses to establish improvement targets and develop action plans, which are audited as part of the program.

Boral is one of only seven elective benchmark participants in the NSW GGAS scheme that receives Large User Abatement Certificates (LUACs) for reducing GHG. Boral has created more than 637,000 LUACs since 2005, saving more than 163,000 tonnes of CO<sub>2</sub> in 2008. Under the NSW GGAS scheme, Boral also created around 62,500 NGACs in 2008 for reducing electricity consumption at Berrima and generating renewable electricity at our landfill operations (Boral Waste Solutions) in Victoria, avoiding the production of around 62,500 tonnes of CO<sub>2</sub>.

Boral Waste Solutions commissioned its third "Biogas to Energy" module at Deer Park in April 2009. This facility uses landfill gas to produce renewable electricity which is exported into the national grid. Commissioning of the third 1.1 MW generating module brings total electricity export capacity to 3.3 MW, which is sufficient to provide the electricity needs of around 3,000 homes.

Figure 16  
Boral's GHG emissions ('000 tonnes of CO<sub>2</sub>)

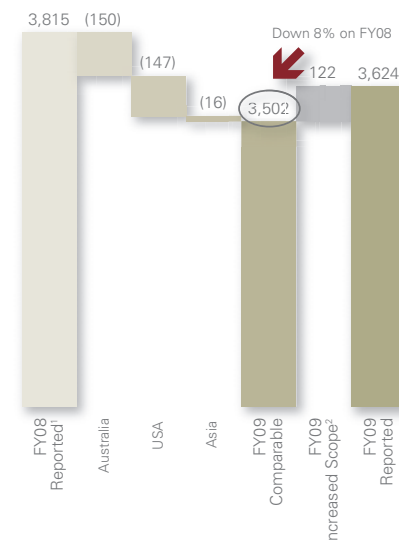
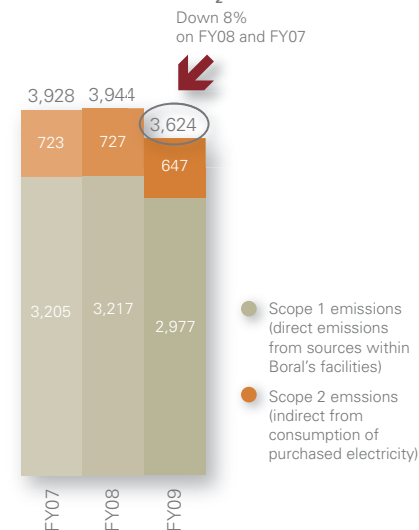


Figure 17  
Boral's restated<sup>3</sup> historical GHG emissions ('000 tonnes of CO<sub>2</sub>)



1 In Boral's 2008 Sustainability Report, Boral's 2007/08 GHG emissions were reported as 3.79 million tonnes. This restated figure reflects new reporting methodologies in Australia and the USA, enhanced data collection and review processes.  
 2 In 2008/09 reporting scope was increased to align with NGERs. Additional scope includes emissions from Boral's Deer Park Landfill operation, and previously unreported transport contractors and non-operating sites.  
 3 Restated 2006/07 and 2007/08 GHG emissions is based on the inclusion of additional NGERs reporting scope and methodology updates as used for 2008/09 data.

### Working with partners to build energy efficient housing

Boral supplied Envirocrete™, ENVIRO™ plasterboard and Boral Silkwood engineered hardwood flooring into Australia's first 9-star energy rated house named Harmony 9 (pictured). Harmony 9, designed by Australian company Mirvac Design, is estimated to reduce energy use by nearly 85% relative to a 5-star house.

Boral worked with Mirvac to trial and develop a unique recycled concrete slab floor incorporating 100% recycled aggregates and 60% cement substitutes. ENVIRO™ plasterboard was selected as it incorporates a minimum of 10% recycled material and has been independently accredited under the Australian Ecolabel Program. Boral Silkwood was selected on the basis of its Australian Forestry Standard certification ensuring that the timber is sustainably sourced from certified and legal forestry. The use of recycled and sustainable construction materials decreases the embodied energy in the construction materials.

In 2008 Midland Brick, in collaboration with Think Brick, Jade Projects and other industry participants, built a display home with an energy efficiency rating of 8-stars. The double-brick house design reduces energy use by nearly 50% relative to a 5-star house, the current minimum standard for homes constructed in Western Australia. The house is readily available in Western Australia at an affordable price range of \$210,000 to \$250,000.



For more details on Boral's GHG emission targets and a discussion of the impacts of the Government's proposed CPRS and EITE assistance, refer to the Message from the Managing Director on page s2-s3.

In addition to reporting in this Sustainability Report, Boral reports externally on climate change risks through the Carbon Disclosure Project. Refer to [www.cdproject.net](http://www.cdproject.net). Also see the Cement Industry Federation's website: [www.cement.org.au](http://www.cement.org.au).

### Other emissions

Data on pollutant emissions for 69 of Boral's Australian facilities is reported to the National Pollutant Inventory (NPI) annually, as required under the NPI National Environmental Protection Measure. This data is available at [www.npi.gov.au](http://www.npi.gov.au). In the USA, 16 Boral sites report their releases and transfers of hazardous and toxic chemicals on the annual Toxic Release Inventory as required under The Emergency Planning and Community Right-to-Know Act (EPCRA) 1986 and the Pollution Prevention Act (1990). This data is available at [www.epa.gov/tri](http://www.epa.gov/tri). For more information, see "At a glance" on page s18.

### Water management

Boral recognises the need to sustainably manage our valuable water resources. Throughout our operations we rely on water for manufacturing and maintenance processes, to suppress dust, for cleaning and for sanitation.

We use water from a range of sources, including mains/town water, ground/bore water, surface water (including rainwater) and on-site recycled water (as shown in the Sustainability Data Table on page s7). Mains/town water usage is material to Boral.

A total of 2,285 million litres of mains water was used by Boral's 100% owned and controlled businesses in Australia,

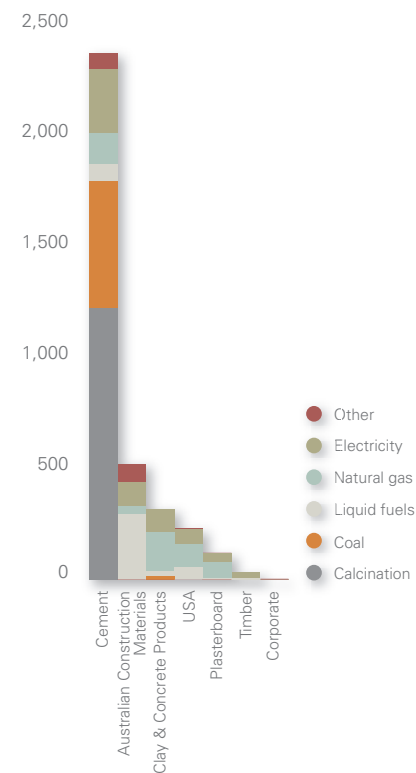
the USA and Asia in 2008/09. Mains water use was down 22% on a comparative basis on the prior year (Figure 19) due to the increased use of rainwater, lower production volumes and water efficiency gains. Approximately 81 million litres of mains water was consumed by Boral's equity share of joint venture businesses in Australia.

A breakdown of mains water usage by division is shown in Figure 20. Details of divisional water usage and improvements is provided in the divisional performance pages s30-s41.

Since 2007, numerous Boral sites in Australia have participated in formal water conservation programs in partnership with governments and/or water authorities. For example, in New South Wales Boral Plasterboard is classified as a high water user (>50 megalitres per year) by DECC and was required to submit a Water Savings Action Plan during the year, which is currently under review. Plasterboard's Port Melbourne plant has incorporated water savings initiative into its Environment Resource Efficiency Plan (EREP). Port Melbourne's water savings initiatives have been installed and are scheduled to be commissioned; the initiatives are estimated to reduce the site's mains water consumption by 10%.

In Western Australia, Midland Brick has been a voluntary participant in the Water Corporation's Water Achievers program for a number of years and was one of the first businesses to submit and have approved its Water Efficiency Management Plan. However, due to lower than average rain fall in the area and increased demand on water in 2008/09 for a major construction project at the Middle Swan site, no change on prior year's usage was achieved. Midland Brick continues to target a further 10% reduction per tonne of standard brick equivalent by 2012 in addition to the 20% reduction already achieved in 2006/07 and 2007/08.

Figure 18  
Boral's energy use and related GHG emissions ('000 tonnes of CO<sub>2</sub>)



Environment

Our Environment continued

Waste, recycling and re-use

Boral Waste Solutions' landfill site at Deer Park in Victoria is one of the largest landfill sites in Australia. Deer Park received more than 500,000 tonnes of commercial and municipal waste in 2008/09. Of this, around 4% was green waste which was recycled or composted to produce manufactured topsoil.

Throughout Boral, an estimated total of 4.62 million tonnes of waste and by-products was re-used or recycled in 2008/09, down 17% year on year reflecting lower production volumes. We measure waste from our production processes based on a combination of quantitative waste data where available, mass balance calculations or estimations through sampling. We also measure the proportion of this waste that is re-used or recycled and, in general, Boral's businesses re-use or recycle between 38% and 114% of the production waste that they generate in the year (ie some businesses consume more waste than they produce in a year by reducing stockpiles).

Our own returned waste materials re-used to produce the same product include concrete washout slurry, recycled asphalt pavement (RAP), plasterboard waste from production and building sites, brick bats and bricks from customers' sites, and green and cured masonry product. External waste products or secondary resources that we use to manufacture our products include: cementitious waste materials and by-products in cement, crushed demolition concrete in new concrete ("Envirocrete™") and granulated used tyres in LoNoise™ Asphalt. Information on some of Boral's sustainable products can be found on page s25 and [www.boral.com.au/buildsustainable](http://www.boral.com.au/buildsustainable).

Boral's businesses only deal with very minor amounts of hazardous waste and this is managed in accordance with government regulations. Similarly, we only use relatively small amounts of packaging, as the vast majority of our products are delivered in bulk.

Examples of waste recycling and re-use

At Blue Circle Southern Cement's Marulan lime kiln, a kiln dust automated pneumatic conveying system was installed in 2008, allowing the recycling of kiln dust into lime products. The Marulan kiln loses about 7% of its production volume as kiln dust generated by lime crushing into lime products. The project has resulted in a decrease in lime manufacturing costs; a 7% decrease in greenhouse gases from lime manufacturing activity; and a saving of \$100,000 per annum in lime dumping costs.

The cement kiln at Blue Circle Southern Cement's Warrn Ponds site is using at least 10,000 tonnes of contaminated foundry sand, salvaged from automotive manufacturing facilities, as a direct replacement for freshly quarried sand. This sand is usually disposed to landfill each year. The project received EPA approval following trials which demonstrate that the resin contaminant present in the sand is destroyed in the manufacturing process and results in no increase in emissions.

In the USA, the small Best Block masonry business has initiated a program that recovers production waste previously directed to landfill. Block rejects are now recovered by an independent contractor, who crushes and screens the rejects, which are then re-used in the production of concrete block. This has eliminated over 4,500 tonnes of landfill waste and resulted in savings from recycling of over \$64,000.

During the year, Midland Brick, through its Midland Magpies recycling program, returned ~14,000 tonnes of surplus building materials from off-site to be recycled back into brick products; this is equivalent to 5.4 million bricks, which is enough to build around 250 average-size double brick houses. Since 2007, Boral has returned ~36,000 tonnes that would have otherwise gone to landfill (equivalent to 13 million bricks).

Figure 19  
Boral's mains water consumption (million litres)

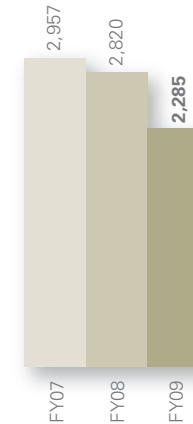


Figure 20  
Boral's mains water consumption by division

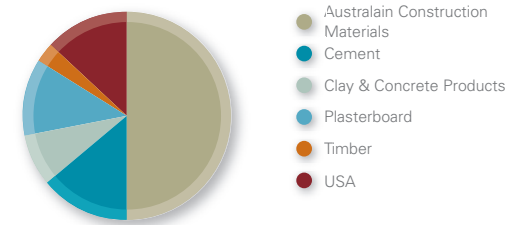
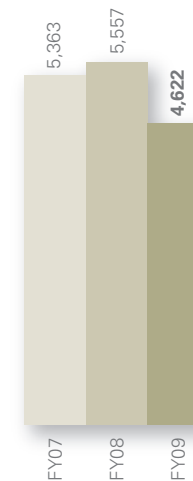


Figure 21  
Internal and external waste and by-product re-used/recycled ('000 tonnes)



### Making significant savings in mains water use

At our new Pinkenba plasterboard plant in Queensland, rainwater harvesting has reduced the sites' reliance on mains water by around 50% over the last year, equivalent to 48 million litres. A retention pond was constructed to collect rainwater from some 34,000 square metres of roof area of the new facility. Water is drawn from the retention pond and used in the manufacturing process in lieu of mains water. Waste process water is also recycled and re-used within the manufacturing process.

At Boral's Darra brick site, mains water consumption has reduced by more than 45% compared to last year<sup>1</sup>. This has been achieved by investing in a rainwater tank system and establishing a pumping and filtration system to use surface water from the sediment pond for the manufacturing of clay products.

Australian Construction Materials has recently implemented a range of water efficiency projects including installation of rainwater tanks at all metropolitan concrete batching plants in Western Australia. Water efficiency projects in Western Australia's concrete business have resulted in the saving of over 11 million litres of mains water compared to the previous year, equivalent to a reduction of over 15%.



Two types of Boral's businesses are based primarily on the utilisation of other people's waste – Boral Recycling in Australia and our fly ash operations in the USA and Australia – BMTI and Blue Circle Ash through Fly Ash Australia (50% Boral-owned) respectively. The fly ash businesses process coal-fired power station waste to provide fly ash as a supplementary cementitious material in cement and in concrete, and bottom ash as drainage, filter and fill materials (eg "EnviroAgg®").

The Boral Recycling business processes construction and building waste in combination with concrete washout, RAP and natural rock, and markets a variety of products including road bases, pipe-bedding, backfill and aggregates.

More information about the amount of waste produced and recycled by Boral's businesses is provided in the divisional performance pages (page s30-s41) and included in the Sustainability Data Table (page s7).

### Land management and biodiversity

Responsible land management starts with environmental due diligence before acquisition of new land assets or businesses, and continues through to divesting sites only when they are "fit for purpose". Key aspects of our land management activities are: complying with environmental and planning regulatory requirements; minimising Boral's "environmental footprint"; progressively rehabilitating our extraction sites; and maximising the sustainability and financial end use of our extraction sites.

Where practicable, Boral progressively rehabilitates its extractive operations on an ongoing basis. Landscape rehabilitation works improve the visual amenity of our quarry sites, enhance biodiversity and minimise erosion through planting of native trees and revegetation. Examples of Boral's rehabilitation in 2008/09 include: shaping, contouring and

hydro-seeding, the large southern overburden mound at the Linwood Quarry in South Australia; planting 2,000 local native trees and shrubs at Stonyfell Quarry, South Australia; and planting 3,000 endemic trees and shrubs at Yallourn Quarry, Victoria.

In addition to the already developed or proposed nature reserves at various Boral locations, Boral continues to develop quarry rehabilitation plans in greater alignment with current thinking regarding biodiversity, such as re-establishment of natural ecosystems relevant to the local area, rather than just addressing visual impact.

Boral's efforts in biodiversity enhancement and land management generally involve long-term commitments. Ongoing efforts which include protecting the Western Swamp Tortoise in the Swan Valley in Western Australia, the Striped Legless Lizard and Spiny Riceflower on the Basalt Plains west of Melbourne and the Grey-headed Flying Fox in New South Wales.

Boral undertakes all required biodiversity assessments under the federal Environment Protection Biodiversity and Conservation Act, and equivalent state level legislation, and implements resulting management plans. The same approach applies for heritage values, in particular Aboriginal heritage. In carrying out heritage assessments, Boral appoints appropriate heritage experts and follows government guidelines. For example, Boral recently relocated a scar tree, that would otherwise have been destroyed, from our Culcairn Quarry to the Albury and District Local Aboriginal Land Council, where it is planned to be displayed at its new health centre which is under construction.

Some Boral locations are subject to Native Title claims and these are dealt with according to local statutory requirements. Boral is committed to working cooperatively with traditional

land owners and where necessary Boral's businesses draw on the expertise of Boral's Indigenous Employment Co-ordinator, who assists with Indigenous cultural issues. There is currently ongoing dialogue with claimants with respect to one quarry site in Western Australia.

When acquiring or divesting properties, or commencing or ceasing leases, all due diligence is undertaken and, where necessary, supplementary work to assess and remediate any site contamination is undertaken. An active Boral-wide contaminated site assessment program is no longer necessary. However, continually more demanding legislation and standards will result in reassessment programs in some jurisdictions under the guidance of Boral's Legal and Environmental Services.

Through the Boral Living Green initiative, in partnership with Conservation Volunteers Australia, we have continued to support several projects to enhance the habitat of threatened species including:

- maintaining the habitat of the Western Swamp Tortoise (a nationally threatened species currently classed as "critically endangered") at Ellen Brook Nature Reserve in Western Australia;
- maintaining walking tracks and protecting remnant habitats for the Brushed-tailed Phascogale (marsupial) and Powerful Owl along the Great Dividing Trail around Daylesford, Victoria;
- managing the infestation of Cats Claw creeper which is damaging the rainforests at Bells Scrub, Dayboro, Queensland. This area is recognised as one of the most valuable rainforest remnants in south east Queensland.

<sup>1</sup> Adjusted for plant non-operating periods

Marketplace and Supply Chain

# Marketplace and Supply Chain



**We aim to manage Boral's supply chain in a sustainable way including consideration of compliance, environment, health and safety, labour rights, innovation and cost. We also aim to provide our customers with better value and service than our competitors and consult and collaborate with customers in the development of sustainable products.**

### Our suppliers

#### Processes and systems

Boral has strategic sourcing managers for all key supply categories at a corporate level.

Boral's Strategic Sourcing group integrates the corporate level plans with each of Boral's divisional strategic sourcing plans annually. The divisional plans incorporate clearly identified sustainability objectives and performance metrics. Performance metrics specifically address capability improvement initiatives identified through the Boral Strategic Sourcing Capability Assessment Tool. This tool qualitatively addresses the level of business capability in strategic sourcing areas.

Sustainability is entrenched in the supplier selection criteria, and the procurement process now includes the issuing of a Supply Chain

Sustainability Survey to strategically critical suppliers. The sustainability survey for selecting key suppliers addresses governance and ethics, policies, risk management, systems, reporting and key areas including safety, labour standards, stakeholder engagement and environment (as applicable).

#### Monitoring performance

Boral undertakes formal performance reviews of its prioritised suppliers, which includes social and environmental performance where relevant and compliance with Boral policies.

#### Working with our suppliers

Boral's application of its procurement process specifically aims to engage with suppliers to continuously improve Boral's sustainability through the supply chain.

Working with our suppliers of heavy transport vehicles has enabled continued sustainability improvements in a variety of areas. Boral's new compressed natural gas (CNG) concrete agitator vehicles produce 7% less GHG emissions per cubic metre of concrete delivered. In addition, the vehicles have world leading vehicular emission levels exceeding current requirements and even those planned for 2016 and beyond. Compared with current Australian legislative requirements these new vehicles, developed by Mack, are able to reduce particulates by 92% and nitrous oxides by 90%.

All of Boral's heavy transport prime movers have been specified with fuel consumption reduction as a key factor and incorporate several fuel saving design options including roof mounted air conditioners and automatic tyre inflation systems. These reduce the need to run the main engine just for cab cooling, and minimise rolling resistance by ensuring that all tyres are at correct pressures at all times. Driver safety and comfort has also been enhanced with up-rated seats, high visibility seat belts and reversing cameras now standard on all vehicles.

The accelerated replacement of the NSW heavy transport fleet over the next four years will deliver trucks that meet the latest emission regulations and reduce nitrous oxides by over 40% and particulates by 18%. Boral's leadership role in encouraging suppliers to integrate these changes with their normal production processes provides the heavy vehicle manufacturing industry with production capability and opportunities to offer safer, more sustainable vehicles to other industry participants.

US Tile's clay roof products are the first roof tiles to have achieved Cradle to Cradle certification (refer to page s25). To successfully achieve Silver level certification criteria, Boral worked with material suppliers to phase out or replace problematic substances to optimise raw materials.

### Our contractors

The use and development of contractors is a critical component of Boral's success. Engaging in the order of \$800 million of contractor related services annually, Boral has, over a number of years, placed an increasing focus on initiatives to enhance the value of contractor relationships. Recent programs include ongoing development and implementation of sustainable contractor management processes across its business units. The outcomes of these programs includes risk mitigation, cost management and alignment of contractors' sustainability capability with Boral's requirements.

**To achieve an Industry Best Practice BSDT score of 3.0, Boral's businesses taken together should be able to demonstrate that the following goals have been achieved:**

BSDT element	Our goals
Strategic sourcing and supply chain	<ul style="list-style-type: none"> <li>• Procurement and/or supply chain plans incorporate sustainability objectives and performance metrics, applied across all activities which have identified sustainability procurement risks.</li> <li>• HS&amp;E/sustainability standards for strategic sourcing activities are in place and are supported by effective decision-making structures and resources.</li> </ul>
Sales and marketing	<ul style="list-style-type: none"> <li>• Sales and marketing plans incorporate clearly identified sustainability objectives and performance metrics.</li> <li>• Inform and seek responses from key stakeholders about our products and their sustainability characteristics. Use this feedback in product development improvements.</li> <li>• Product stewardship concepts are incorporated into delivery and support systems of key products/services.</li> </ul>

## Our customers

We work closely with our customers to understand their needs and the challenges they face so that we can deliver the best solutions. To understand what is important we hold focus groups, conduct quantitative studies and undertake annual customer surveys.

We also undertake perception studies to help us better understand how the Boral brand is viewed in the marketplace and whether we are meeting our objectives. During the year, 619 consumers and 300 builders participated in perception studies. These studies provide valuable information as to how we perform against a range of important measures of our brand. These include being innovative, contemporary and environmentally responsible. The findings are used to help develop our improvement plans for the following year. The findings this year have identified a need to better communicate successful initiatives.

Over the last few years, we have improved the sustainability features of a number of our products in response to feedback from our customers. Examples of Boral products and their sustainability criteria are included on this page.

During the year, Boral continued to develop appropriate and consistent methodologies for undertaking product lifecycle assessments both internally and through various industry groups including the Building Products Innovation Council.

### Customer experience

We aim to provide the best service to our customers. However, in the event that dissatisfaction occurs, all of Boral's businesses have systems in place for dealing with customer complaints.

Feedback from annual customer satisfaction surveys is used to improve service.

### Product performance and safety

Boral's businesses have processes in place to manage product performance and health and safety risks, including appropriate product labelling and training and Material Safety Data Sheets. Material Safety Data Sheets advise users of our products on safe use and handling and optimal application procedures.

### Industry sustainability initiatives

Since 2005, Boral has been a National Leader of the Housing Industry of Australia (HIA) GreenSmart initiative. Boral continues to sponsor the HIA Boral GreenSmart Awards, which recognise excellence in environmentally sustainable housing construction. GreenSmart is a practical approach

to building which focuses on educating builders, designers, product manufacturers and consumers about the benefits of environmentally responsible housing.

Boral is also a Foundation Partner with the Urban Development Institute of Australia (UDIA) in its EnviroDevelopment project in Queensland. Following the success of the Queensland project, Boral has also become a Foundation Partner in Victoria and Western Australia. EnviroDevelopment is a scientifically-based branding system designed to make it easier for purchasers to recognise and select more environmentally sustainable homes and lifestyles.

In 2008 Midland Brick, Think Brick, Jade Projects and other industry participants were involved in the development and construction of an 8-star display home (based on the Building Energy Rating Services System). The double-brick house design reduces energy use by nearly 50% relative to a 5-star house, which is the current minimum standard for homes constructed in Western Australia. The house is readily available in Western Australia at an affordable price range of \$210,000 to \$250,000. Boral is also providing materials into Australia's first 9-star house being built by Mirvac Designs in Victoria. Refer to page s21 for further information.

### Compliance and ethics

From trade practices compliance to product labelling, we aim to ensure that our marketing and sales activities meet both the spirit and the letter of the law. Marketing and sales people are provided with information on trade practices and other requirements related to acceptable standards for marketplace behaviour. All managers and sales staff are required to complete an online, regularly updated Trade Practices Compliance training program and a biennial refresher course. During 2008/09, a total of 616 Boral employees completed online compliance training in Australia, while 460 employees attended trade practices training seminars. In the USA, Boral's legal department conducted 19 face-to-face training sessions to 505 employees, largely managers and sales staff, which concentrated on antitrust and Code of Conduct.

### Customer privacy

With the increasing migration to electronic data management, we maintain extensive and robust security systems and procedures, and give continued priority to customer data protection and privacy. Boral's Privacy Policy is available on Boral's website.

## Examples of Boral products and their sustainable features.



### Boral Envirocrete™

- Designed to use waste materials in the manufacture of concrete, thereby reducing the environmental impact.
- Utilises cement substitutes (fly ash, slag) and recycled aggregates.
- Net Balance audited and verified the systems for producing Envirocrete™ concrete mix designs.
- Contributes to sustainability ratings systems, including UDIA and Green Building Council of Australia's Green Star environmental rating scheme.



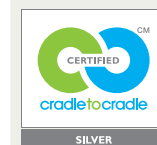
### Boral Timber

- Boral Timber products have full Chain of Custody Certification under Australian Forestry Standard (AS4707-2006), ensuring that they are sustainably sourced from certified and legal forestry, and tracked through to point of sale.



### ENVIRO™ Plasterboard range

- Boral has developed an environmentally preferred ENVIRO plasterboard range incorporating a minimum of 10% recycled content.
- Boral ENVIRO™ products are certified under Good Environmental Choice Australia Panel Board Standard GECA 04-2007.



### US Tile

- All US Tile roofing products manufactured in the USA are certified by MBDC under Cradle to Cradle.
- The US Tile clay roof products have achieved Silver level certification criteria based on materials, material reutilisation, energy, water and social responsibility and are the first roof tiles to have achieved certification.

## Our Stakeholders



**We have a genuine regard for the interests of our stakeholders. Developing and maintaining a strong relationship with our stakeholders is crucial to our business success and maintaining our licence to operate.**

Stakeholder engagement is integrated into our business systems and processes. To achieve our objective of performance at a level of Industry Best Practice a number of the BSDT elements incorporate specific requirements to engage and communicate with various stakeholder groups. In addition, two BSDT elements focus specifically on Boral's performance in regard to stakeholder engagement: Community Relations and Engagement and External Relations and Communications.

The table on the following page outlines the main methods used to engage with our key stakeholders in addition to Boral's Annual, Sustainability and half-yearly reports and website, which are targeted at all key stakeholders.

### Engaging with our stakeholders through our Sustainability Report

Boral's annual Sustainability Report is the main avenue by which we provide information to our stakeholders on sustainability matters. During 2008/09, we sought feedback on Boral's 2008 Sustainability Report through two formal discussion groups with employee, shareholder, customer, supplier, and community representatives. The feedback obtained through these forums was used in determining how to present this year's report.

### Government and regulators

Boral aims to have regular dialogue with key external decision makers and engage in policy shaping on sustainability issues.

Boral has regular dialogue with public officials both directly and through membership of industry associations.

Boral has a Government Relations policy which recognises the role of governments and outlines our approach to working with government.

Boral is actively engaged in commenting on government consultation processes relating to sustainability issues. During 2008/09, public advocacy efforts largely revolved around emissions trading and the National Greenhouse and Energy Reporting System (NGERS) requirements. Our submissions can be found on our website at [www.boral.com.au/sustainability](http://www.boral.com.au/sustainability).

We participate in government initiatives to help shape decision making and policy. During the year, Boral was a Pilot Group member for NGERS working with the Department of Climate Change. Boral is also represented on the Federal Government's Built Environment Industry Innovation Council.

At a business level, Boral directly engages with local councils and regulators such as state EPAs and planning authorities.

### Political contributions

Boral is apolitical and does not make donations to political parties or individuals. In 2008/09, Boral did not renew membership of the NSW Millennium Forum and NSW Australian Labor Party's Business Dialogue, which had been retained in recent years to attend business events and access bipartisan political debate. The Australian Electoral Commission's reportable funding from Boral in 2008/09 was nil.

### Industry influence

Boral actively participates in major business and industry associations and initiatives which to varying extents focus on sustainable development. These associations include: Cement Industry Federation; Cement, Concrete and Aggregates Australia; Housing Industry Association; Think Brick Australia; Association of Wall and Ceiling Industries; Gypsum Board Manufacturers Association; The Urban Development Institute of Australia; and the Business Council of Australia (BCA). Boral's CEO, Rod Pearse, is a BCA Board member and Chair of the BCA's Sustainable Growth Taskforce.

Boral is continuing to work with the Building Products Innovation Council (BPIC) and various industry associations to develop a robust lifecycle analysis and inventory methodology to ensure a scientific and consistent approach in comparing building materials across their lifecycle.

### Community and neighbours

Boral's objective is to maintain support and goodwill of communities surrounding Boral's activities through engaging and consulting on relevant issues.

Community liaison groups exist at key Boral operations and a number of smaller operations to facilitate the exchange of open and transparent communication.

The most common issues of local concern raised through community consultation processes are about local noise and vibration impacts, dust or emissions, traffic conditions or biodiversity. In operations that raise considerable concern or contention, we may engage specialist consultants to investigate these concerns and/or provide expert advice. When appropriate, we also establish dust, noise and vibration monitoring devices on our neighbours' properties to help ensure that we are operating within acceptable levels.

A summary of recent and current issues of concern to local communities surrounding our operations or proposed development is included in the table on page s27.

We actively consult with communities when considering major new investments and land management issues. Stakeholder reference groups are formed for major developments to facilitate risk assessments to identify and rank perceived risks. On land management issues, we often work in partnership with local community members, special interest groups and/or government bodies.



## Methods of stakeholder engagement

Stakeholder group	Engagement during 2008/09
Shareholders	<ul style="list-style-type: none"> <li>Annual General Meeting, annual and interim results announcements, formal meetings with institutional investors and site visits/presentations.</li> <li>Media releases and Boral in the News.</li> <li>Carbon Disclosure Project (CDP7), which seeks information from companies on climate change risks and opportunities on behalf of institutional investors.</li> <li>Independent surveys to assist the investment community in benchmarking Boral's performance.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Independent employee surveys undertaken across Boral's Australian and US operations to identify key issues which affect employee engagement.</li> <li>Boral in the News, Boral's intranet, divisional newsletters, tool box meetings, consultative safety groups and "safety conversations".</li> <li>Regular performance reviews for salaried staff.</li> </ul>
Suppliers/contractors	<ul style="list-style-type: none"> <li>Regular feedback and performance reviews with critical suppliers covering: operational activities, safety, environment and continuous improvement.</li> <li>Supply Chain Sustainability Survey to strategically critical suppliers.</li> <li>Safety and site inductions.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Customer surveys and focus groups.</li> <li>One-on-one meetings, site visits.</li> <li>Product information, Material Safety Data Sheets and brochureware.</li> <li>Customer events, eg product launches, Boral Design Awards.</li> </ul>
Local communities and neighbours	<ul style="list-style-type: none"> <li>Community consultation and engagement groups.</li> <li>Open days, site tours, one-on-one meetings, public meetings, newsletters and targeted communications.</li> <li>Independent community perception interviews undertaken where needed to better understand local community concerns.</li> </ul>
Government and regulators	<ul style="list-style-type: none"> <li>Meetings with government and regulatory officials.</li> <li>Conferences and selected events to understand public policy developments.</li> <li>Submissions to government consultation processes.</li> <li>Participation in industry associations.</li> </ul>

## Recent and current community issues

Key issue	Boral's position
Community concerns about the safe use of alternative fuels, Blue Circle Southern Cement, Berrima, NSW	<p>The use of alternative fuels in cement kilns is common both in Australia and overseas, and has been shown to effectively reduce GHG emissions, waste to landfill and costs.</p> <p>In 2007/08, BCSC engaged independent advisers to interview a cross section of the local community and other stakeholders to identify concerns about air quality impacts and to determine how they may be addressed. This resulted in the formation of an Air Quality Monitoring Sub-Committee to review air quality monitoring undertaken at Berrima. Members represent Wingecarribee Shire Council, local interest groups and the local community. The Sub-Committee selected expert technical advisers in human health risk assessment and air quality monitoring/modelling. BCSC has also significantly improved procedures for the selection, quality control, supply and use of alternative fuels to minimise the risk of program non-compliance.</p>
Request for ACCC investigation by Australian Conservation Foundation (ACF)	<p>The ACF issued a statement in June 2009 indicating that the ACF and the Australian Climate Justice Program (ACJP) asked the Australian Competition and Consumer Commission (ACCC) to investigate whether six companies, including Boral, have engaged in misleading or deceptive conduct when making public statements on climate change policy. They alleged that statements made about the impacts of the proposed Carbon Pollution Reduction Scheme are exaggerated and contradictory when compared with the companies' disclosure to shareholders and independent analysis.</p> <p>Boral issued a media release on 15 June 2009 strongly refuting the allegations made by the ACF and the ACJP and detailing that Boral's communications to government and to its shareholders are consistent. The ACCC has said that it will not investigate the complaint.</p>
Community opposition to proposed bitumen import terminal at Crib Point, Vic	<p>Boral's proposal to build a bitumen storage and distribution facility at Crib Point (as discussed in Figure 24 of Boral's 2008 Sustainability Report) was approved by the Victorian Planning Minister in August 2009. Boral is pleased that the Government has confirmed the need for the Crib Point area to be developed for "mixed use". Boral is, however, concerned about some ongoing community concerns about the proposed plans and will continue to listen to concerns and provide the community with relevant information.</p>
Regional employment and the economic downturn	<p>Employment levels across Boral have reduced as cost reduction programs have been implemented and production slowed to match lower demand. While the need for these actions is generally well understood, individuals and local communities have been impacted. In August 2008 production was suspended at Boral's Walcha Timber mill in New South Wales, resulting in 23 redundant positions; quicklime manufacturing at BCSC's Galong facility was temporarily suspended in January 2009 due to significantly weaker steel demand resulting in seven positions being made redundant; and in July 2009, Boral temporarily suspended brick production at Kempsey, New South Wales, affecting 19 production employees.</p>

# Community Investment

**Boral has a strategic community partnership model supported by key selection criteria that help determine the most effective partnerships for the Company. The core platform of Boral's partnership program is to make a valued and sustainable contribution to the communities in which we operate with partnership selection based on a Products, People, and Places strategy. We involve our People to encourage a better work/life balance and to use our expertise to benefit the wider community. We use our Products to build communities and for conservation initiatives and we focus on our Places, the communities in which we operate, to address environmental and social issues.**

Boral has seven key strategic partnerships that we use to engage our employees and make a difference in our local communities. These community partnership programs and their key outcomes are listed below. In February 2009, Boral pledged a \$50,000 donation to the official Red Cross relief fund for the Victorian bushfires then matched employee donations on a dollar-for-dollar basis to a maximum of \$50,000. This \$100,000 commitment will take the form of 50% cash (paid in 2008/09) and 50% in-kind materials to re-build affected communities (expected to be needed in 2009/10).

In 2008/09, a total of \$569,562 of cash and materials support was invested in these community programs, together with a further \$600,422 of cash donated to the Juvenile Diabetes Research Foundation and the Red Cross through employee fundraising efforts in Australia and the USA.

In addition to Boral's strategic corporate partnerships, Boral's businesses support local community activities. Boral's Partnership Framework and Criteria must be used to assess the appropriateness of local partnership opportunities with the quantum of support also subject to Boral's Limits of Authority policy.

Boral's partnership framework



## Partnership initiative

### Conservation Volunteers Australia (CVA) – Boral Living Green

In 2009, Boral renewed its longest standing community partnership with CVA for a further three years. Living Green will continue to focus on conservation projects through volunteering opportunities and family conservation days. In addition, the partnership will also focus on raising awareness of Boral staff on how they can reduce their own environmental impacts through CVA's Action for Climate Change program.

## Outcomes/achievements in 2008/09

- Formal event held to celebrate 20 years of partnership.
- 483 volunteer days across 63 conservation projects including 18,720 trees/stems were planted and 21,390 m<sup>2</sup> of land weeded and regenerated in WA, QLD, NSW, ACT, SA and VIC.
- A successful cause related marketing initiative with Boral Timber promoting the Mountain Range of Timber Flooring.

Creating a Better Earth



### Taronga Conservation Society Australia

Boral has partnered with the Taronga Conservation Society Australia (formerly Taronga and Western Plains Zoos) since early 2003. In 2009, we renewed the partnership for a further three years. The partnership will see Boral continuing its naming rights sponsorship of the Youth at the Zoo (YATZ) program and further develop our involvement with the Zoo's education department with a special focus on YATZ scholarships for Indigenous, disadvantaged and regional participants.

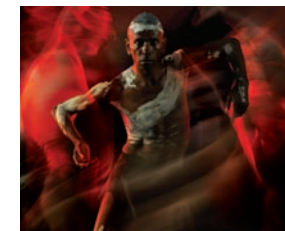
- Numerous employees, families and customers visited the Zoos in 2008/09 including 190 attendees at the Twilight concerts in early 2009; and around 600 staff and families at Boral's Family Day in December 2008.
- The YATZ Eco Fair was held in January 2009, with Boral and CVA participating.
- Boral products continue to be used in Taronga's major master plan developments.



### Bangarra Dance Theatre

Boral has partnered with the Bangarra Dance Theatre, Australia's leading Indigenous dance company, since 2002. Since March 2007, we have been the Sydney season sponsor. In 2008, we renewed our partnership with Bangarra for a further three years.

- In 2008/09, over 190 Boral staff and their guests attended Bangarra's capital city main stage performances or regional performances.
- In November 2008, Boral and Bangarra held their first family day, with over 150 Boral employees and their families attending a special performance and dance workshop at Bangarra's Walsh Bay Theatre.
- Boral is the main Sydney season sponsor for 2009, Bangarra's 20th anniversary year.



### Outward Bound Australia

#### – Boral Family Re-Discovery Programs

Boral continues to offer Outward Bound Family Scholarships to Boral employees with a high school-aged son or daughter and for less advantaged youth in the community. Outward Bound is widely recognised for delivering a program focused on work/life balance and the scholarships are a key platform of Boral's broader commitment to corporate responsibility and to supporting, nurturing and developing employees.

- Since the Boral Family Re-Discovery program was developed in 2003, a total of 88 family groups have participated in the program across five states.
- 20 family groups received Boral scholarships in 2008/09.
- 84% of past participants in the Outward Bound scholarships still work for Boral.
- Two Outward Bound Aboriginal Leadership Programs were sponsored for Indigenous students in Kempsey and Western Sydney; 30 students completed the program.

**OUTWARD BOUND**  
Inspiring Australians



### Juvenile Diabetes Research Foundation (JDRF)

JDRF has been Boral's preferred charity since 2001. It provides Boral with structured opportunities to participate in fundraising and promote employee engagement while increasing awareness of Type 1 diabetes and the need for further research towards finding a cure. Since 2006, Boral has been a Global Walk Leader for the Walk to Cure Diabetes campaign.

- Boral has contributed over \$2 million to JDRF since the partnership began in 2001, including around 85% from employee fundraising efforts.
- In 2008/09, Boral's employees raised \$492,449 for JDRF through the Walk to Cure Diabetes in Australia and the USA and through the Ride to Cure Diabetes and the Spin for a Cure events in Australia. Over 1,000 employees and family members participated in the October 2008 Walk to Cure Diabetes. Boral was awarded the Freedom Award for being the highest corporate fundraising team in 2008.
- 73 riders participated in the Ride to Cure Diabetes in January 2009 and raised \$312,700 of the total amount.



### Building Communities in Asia

Boral commenced its Building Communities in Asia program in 2005 following the devastating Boxing Day tsunami. Boral's two and half year partnership with World Vision in Indonesia and Thailand came to an end in 2008 and Boral is now investing directly in community building activities around Bayah in Indonesia.

- \$15,000 cash to World Vision towards construction of learning centres in Thailand and \$9,056 of materials-in-kind to the World Vision Trang learning centre in Thailand.
- \$52,000 was invested in community building activities in the Bayah region including: education for 60 secondary students to improve their prospects of gaining a tertiary education; education for 60 children who left school during the previous two years; English classes for 20 local teachers and 24 employees; and the extension of pipelines to provide fresh water to five villages.
- Employees in Indonesia were involved in raising \$5,000 for 10 children to undergo restorative facial surgery.
- In Thailand, over 2,000 employee volunteer hours invested across three community projects.

**Building**  
Communities



### HomeAid

Boral USA continued its partnership with HomeAid with an annual commitment of US\$25,000 in cash and US\$25,000 in in-kind product donations. HomeAid is a leading national non-profit organisation providing shelter for the homeless.

- Boral is represented on the Board of Directors of HomeAid's Atlanta Chapter.
- Boral has committed to providing roof tiles for a new project in California which serves victims of abuse, primarily children.
- A project in Georgia for which Boral committed bricks, and which had been delayed due to the US housing industry downturn, commenced in July 2009.



# Australian Construction Materials



Australian Construction Materials (ACM) is a decentralised business operating at over 400 sites. This poses significant challenges in driving improvement programs and ensuring consistent and accurate measurement and reporting. This year we focused on improving reporting and controls. We continued to roll out a best practice national Safety Management System and a national Environmental Management System that is in accordance with ISO 14001. A centralised energy data capture system allowed us to provide more robust reporting data in line with the National Greenhouse and Energy Reporting System. Despite capital constraints we invested in further five compressed natural gas (CNG) powered concrete agitators in an effort to reduce Boral's reliance on diesel and to find a cleaner alternative transport fuel.



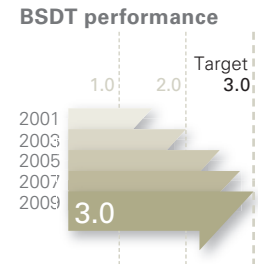
527,000 tonnes CO<sub>2</sub> emitted (8%↓)<sup>1</sup>



1,144 million litres of mains water consumed (20%↓)



331,000 tonnes of waste and by-products recycled/re-used (31%↓)<sup>2</sup>



## Our performance

## Our goals/plans

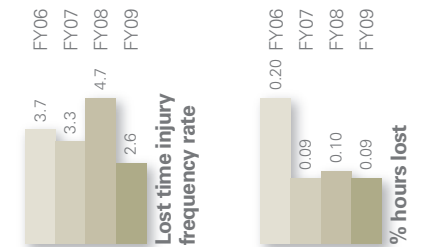
### Human resources

#### Health and safety

- Employee LTIFR of 2.6 and % hours lost of 0.09, both better than improvement targets.
- LTIFR for contractors of 2.4 was well ahead of target due to fewer injuries, improved contractor safety management, and more rigorous hours capture.
- Regional implementation plans for ACM's OHS Management System (OHSMS) were developed; roll-out commenced in January 2009.
- Closed out actions from electrical audits for all sites.

25% improvement on last three year average LTIFR and % hours lost.

- 50% of all OHSMS programs and standards implemented by 30 June 2010.
- 100% closure of all high/extreme risk actions in nominated timeframes.
- Structural audits completed in all businesses.



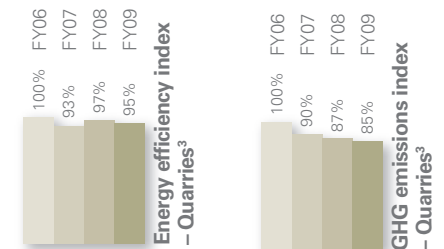
### Environment

#### Energy conservation and climate change

- Total energy use of 5.4 million GJ and GHG emissions of 527,000 tonnes of CO<sub>2</sub> decreased by 7% and 8% respectively on a comparable basis, due to lower production and efficiency gains.
- Quarries energy and GHG emissions per unit both reduced by 2%, reflecting continued energy audits and an ongoing energy efficiency program.
- Boral Transport implemented procedural improvements to reduce diesel use through driver training and by reducing waiting time.

Reduce emissions per unit and offset increases in absolute emissions as a result of market demand growth.

- Continue energy efficiency audits and programs in quarries, focusing on improvements in diesel efficiency.
- Provision of EcoDriver training to drivers to improve diesel efficiency.
- Continue the geographic roll-out of CNG agitators, which currently involves 10 vehicles.
- Upgrade NSW Transport fleet to capture modern engine efficiencies.



### Water conservation, extraction and protection

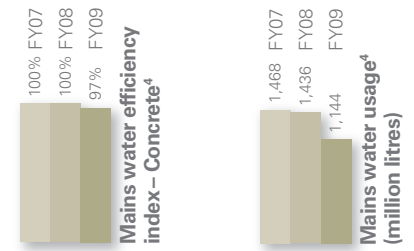
- Mains water use of 1,144 million litres was down 20% year on year, due to higher rainwater availability as a result of previous investments in rainwater capture.
- Quarries decreased its mains water use per unit of production by 44% mainly through use of on-site captured water.
- Concrete decreased its mains water use per unit of production by 3% due to water reduction projects including installation of rainwater tanks and increased use of treated water in concrete batching.

### Waste and resource management, recycling and re-use

- ACM re-used and recycled 331,000 tonnes of concrete waste and recycled asphalt profiling (RAP), down 31% due mainly to the completion of the Eastlink project, which was RAP intensive, and an industry 10% reduction in concrete volumes.
- In ACM's recycling business which takes external building waste, replacing virgin resources, recycled and re-used waste volumes were 42% above FY2006, but down 14% on last year due mainly to lower activity.

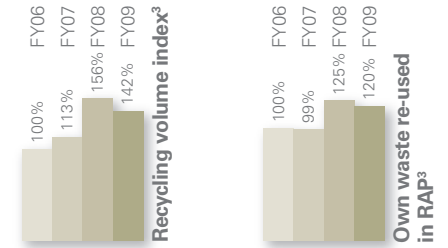
Reduce mains water consumption across the division.

- *Increase capture and use of rainwater in Quarries and Concrete.*
- *Further installation of water tanks.*
- *Increase use of treated water at concrete plants.*



Minimise waste from our operations and increase the amount of waste re-used and recycled that would have otherwise gone to landfill.

- *Further grow recycling business.*
- *Further expand use of recycled asphalt pavement.*



## Marketplace and supply chain

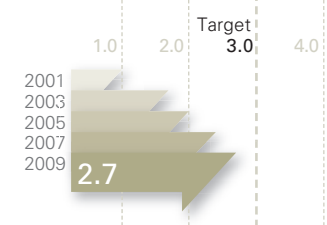
### Sales and marketing

- Net Balance audited and verified the systems for producing Envirocrete™ concrete mix designs that include cement substitution and recycled aggregates, which helps customers to achieve green star ratings.
- Boral ACM is participating in an industry-wide project, managed by the Building Products Innovation Council, to understand lifecycle impacts of different building materials.
- ACM worked with Mirvac to supply Envirocrete™ to the Harmony 9 house in Waverley Park (Vic), helping the house achieve a 9-star energy rating.

Provide customers with sustainable product solutions.

- *Further understand the lifecycle impacts of building products and materials.*
- *Engagement with customers to develop innovative new sustainable concrete mixes.*
- *Expand application of recycled asphalt pavement.*
- *Identify opportunities to support environmental standards.*

### BSDT scorecard Sales and marketing



## Social responsibility

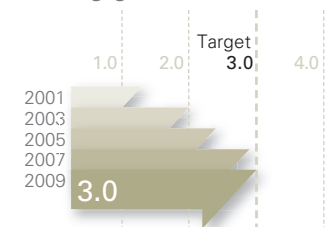
### Community relations and engagement

- Stakeholder risk assessments undertaken for all key sites; Stakeholder Engagement Plans developed for sensitive quarry sites. Community consultation programs were in place at key sites and for new developments.
- Boral engaged with native title claimants relating to Tabba Tabba Quarry in WA. The Ngarla group escalated a claim over an access road to the Mining Warden's Court, resulting in the temporary closure of the quarry until agreement was reached in July 2009.

Maintain the support and goodwill of communities surrounding Boral's activities through engaging and consulting on relevant issues.

- *Continue community relations and engagement initiatives for key sites, including Tabba Tabba Quarry.*
- *Continue to undertake stakeholder risk assessments for all businesses, prioritising sites that require development of stakeholder engagement plans.*

### BSDT scorecard Community relations and engagement



### About Australian Construction Materials

ACM, Boral's largest division, has a diverse number of businesses including Quarries, Concrete, Asphalt, Transport, and Quarry End Use, which incorporates a landfill operation at Deer Park in Victoria. The division has 409 operating sites, around 4,200 employees and 2,600 FTE contractors in Australia. ACM's sustainability data include second brand operations Concrete, Alsafe, GoCrete, Q-Crete and Allens Asphalt. ACM's total GHG emissions include Boral's Deer Park landfill operations.

<sup>1</sup> In preparation for reporting under the National Greenhouse and Energy Reporting System, the reporting scope has increased, including emissions from landfill operations. Historical comparisons have been adjusted to take into account additional scope.

<sup>2</sup> If quantitative waste data is not available, waste is calculated through a mass balance equation or estimated through sampling. Waste recycled/re-used includes both internal waste and external by-products consumed.

<sup>3</sup> Indexed to 100% in FY06 as base year. Energy/GHG calculations based on total quarries energy and GHG emissions divided by tonnes of quarries production; recycling and RAP calculation based on own waste re-used in tonnes divided by tonnes of RAP and NSW recycling.

<sup>4</sup> Indexed to 100% in FY07 as base year due to improved reporting. Water calculations based on total water use in concrete divided by m<sup>3</sup> of concrete production.

# Cement and Construction Related Businesses



Late in the year, the Cement division split into two separate divisions, Cement and Construction Related Businesses (CRB). FY2009 sustainability reporting data are combined. An important outcome for Boral in FY2009 was the recognition of the cement and lime industries as emissions-intensive trade-exposed (EITE) in the draft CPRS legislation. In FY2009, GHG emissions decreased by 3% due to lower overall production volumes, particularly cement and lime. In CRB, new windows products are in development to meet growing regulatory trends and DeMartin & Gasparini are utilising concrete with low cement content and recycled products to assist customers in achieving Greenstar ratings. Improvements in safety were overshadowed by a tragic work related fatality in Indonesia where a security guard was fatally injured in a heavy vehicle accident.



2.4 million tonnes CO<sub>2</sub> emitted (3%↓)<sup>1</sup>

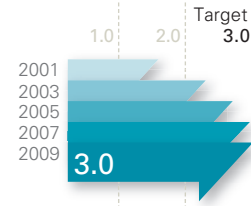


331 million litres of mains water consumed (29%↓)



1 million tonnes of waste and by-products recycled/re-used (8%↓)<sup>2</sup>

BSDT performance<sup>4</sup>



## Our performance

## Our goals/plans

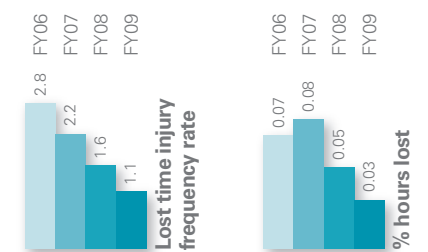
### Human resources

#### Health and safety

- Employee LTIFR of 1.1 and % hours lost of 0.03 were better than target; however, this was overshadowed by a fatality in Asia.
- Contractor LTIFR of 1.5 versus targeted improvement of 6.7 underpinned by zero contractor LTIs in CRB.
- Implementation of behavioural safety program, safety conversations, has improved focus in BCSC; Asia and CRB have made good progress with safety systems improvements.

25% improvement on last three year average LTIFR, and % hours lost.

- Roll-out of national Health Safety Environment Quality (HSEQ) management system in BCSC.
- Improve guarding, traffic management and systems in Asia.
- Improve contractor safety, focusing on construction sites.
- CRB to strengthen behavioural safety programs to further enhance culture.



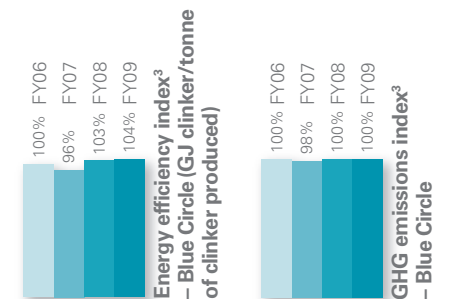
### Environment

#### Energy conservation and climate change

- Total energy use down by 1% to 12.6 million GJ; GHG emissions down 3% to 2.4 million tonnes of CO<sub>2</sub>, reflecting lower volumes and variations in product mix.
- Energy use per tonne of clinker produced was 1% higher while GHG emissions remained steady, mainly due to fuel efficiency gains, offset by increased power consumption and lower volumes.
- To date, four sites have participated in the Energy Efficiency Opportunities (EEO) program, initiatives being implemented will save up to 665,000 GJ p.a.

Reduce emissions per unit and offset Boral's increases in absolute emissions as a result of market demand growth.

- Continue focus on identification and implementation of energy and GHG reduction initiatives.
- Resolution of regulatory issues associated with the introduction of CPRS legislation, including EITE activity definition for lime and cement.
- Progress geothermal initiative at BCSC Waurn Ponds for viability of a baseload renewable energy source.



### Water conservation, extraction and protection

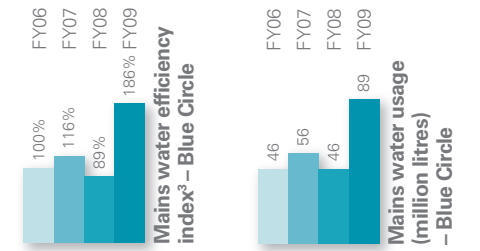
- Mains water use 29% lower than prior year, however BCSC mains water use was nearly double the prior year due to mains water substitution for dam water in Victoria during drought conditions.
- Thailand achieved a 44% reduction in mains water use.
- BCSC implemented rainwater capture initiatives across all operating sites.

### Waste and resource management, recycling and re-use

- In Australia, Cement increased consumption of external waste by 4% with significant increases in the use of ash, a waste product from the electricity industry.
- Consumption of waste materials as alternate fuels provided over 700,000 GJ of energy, reducing reliance on fossil fuels.
- Kiln dust spillage reduction and recycling at Marulan now captures nearly all lime kiln dust for recycling back into the process.

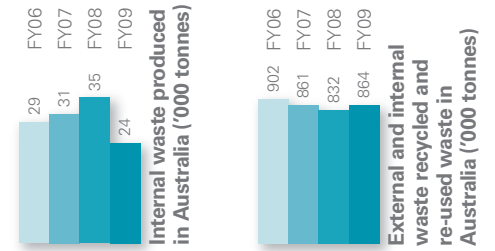
Reduce mains water consumption across the division.

- *Progress Site Environmental Improvement Plans incorporating water security strategies.*



Minimise waste from operations and increase waste or by-products re-used and recycled that would otherwise go to landfill.

- *Continue to engage with the community regarding the use of non-standard fuels at Berrima.*
- *Explore options to use refuse fuels at Waurm Ponds.*
- *Progress biosolids technology proving stage at Waurm Ponds.*



## Marketplace and supply chain

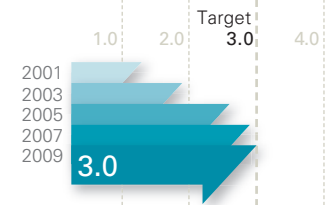
### Strategic sourcing and supply chain

- BCSC commenced review of strategic sourcing systems to ensure that products and services are obtained through pre-qualified contracts, improving compliance and value.
- Supported concrete and masonry businesses with the supply of recycled materials, eg slag in Envirocrete™ and bottom ash in concrete and lightweight blocks.
- Growth in sales of double-glazed windows; developed thermal efficient windows.

Manage supply chain in a sustainable way including consideration of HSE and social standards.

- *Increase volumes of sustainable products such as EnviroAgg™.*
- *Ensure that external suppliers and contractors are adhering to recognised standards of safety, quality control and testing procedures.*
- *Participate in industry LCI/LCA development programs.*

### BSDT scorecard Strategic sourcing and supply chain<sup>4</sup>



## Social responsibility

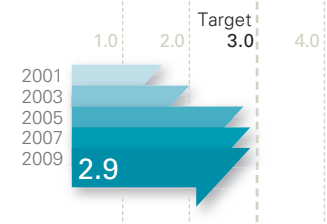
### Community relations and engagement

- Berrima continued its comprehensive stakeholder engagement, addressing community concerns in relation to the alternative fuels program.
- Employees participated in a Living Green restoration project at Mittagong, NSW to excavate a 144 year old sandstone drain and plant native trees.
- In Indonesia, \$52,000 of community support in Bayah region including education for 60 secondary school children and English classes for 20 teachers and 24 employees.

Maintain the support and goodwill of communities surrounding Boral's activities through engaging and consulting on relevant issues.

- *Strengthen community relations and engagement initiatives through Boral Living Green projects.*
- *Continue to support local communities around our Asian operations.*
- *Continue to engage with the community regarding the use of non-standard fuels.*

### BSDT scorecard Community relations and engagement<sup>4</sup>



## About Cement and Construction Related Businesses

Cement comprises: Blue Circle Southern Cement (BCSC) and the Asian construction materials operations in Indonesia and Thailand. CRB comprises: Formwork & Scaffolding, Windows, De Martin & Gasparini and Boral Precast. BCSC manufactures cement and lime and markets fly ash through its 50% owned Fly Ash Australia and operates a 50% owned joint venture cement milling facility in Brisbane, Sunstate Cement Ltd. The two divisions have 139 operating sites under Boral management, around 2,000 employees in Australia, and around 3,500 employees in Asia.

<sup>1</sup> In preparation for reporting under the National Greenhouse and Energy Reporting System, Scope 2 factors have been applied for electricity from FY08 onwards. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted and exclude Boral's concrete panels business, currently reported in Australian Construction Materials.

<sup>2</sup> If quantitative waste data is not available, waste is calculated through a mass balance equation or estimated through sampling. Waste recycled/re-used includes both internal waste and external by-products consumed.

<sup>3</sup> Indexed to 100% in FY06 as base year. Energy/GHG calculations based on total energy use and GHG emissions from clinker production divided by tonnes of clinker produced; water calculations based on total mains water use divided by tonnes of cement produced, including net clinker sales since FY07.

<sup>4</sup> BSDT score excludes Asia. BSDT assessment processes were introduced into Indonesia in 2005 and into Thailand in 2007. The current overall BSDT score for Asia is 1.8.

# Review of Operating Divisions

## Clay & Concrete Products



Clay & Concrete Products (C&C) improved its safety performance over the past year, including a marked improvement in contractor safety. All manufacturing sites maintained certification to the Australian safety management system standard (AS/ANZ 4801:2001), verifying our commitment to best practice OHS management. During the year, Boral, Think Brick, Jade Projects and other industry participants were involved in the development and construction of an 8-star home (based on the Building Energy Rating Services System), which uses 76% less energy and 72% less water than the average Perth home. The 8-star home is an example of clay brick as an ideal material for achieving excellent energy efficiency.



317,800 tonnes CO<sub>2</sub> emitted (14%↓)<sup>1</sup>

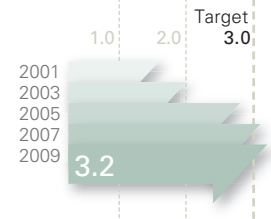


172 million litres of mains water consumed (14%↓)



199,400 tonnes of waste recycled/re-used (7%↓)<sup>2</sup>

BSDT performance



### Our performance

### Our goals/plans

#### Human resources

##### Health and safety

- 39% improvement in employee LTIFR to 1.1, which was better than target; contractor LTIFR reduced by >50% year on year.
- 25% improvement in employee % hours lost, better than target.
- AS/NZS 4801:2001 Safety System Certification maintained across all manufacturing sites.
- Implemented a logistics Chain Of Responsibility (COR) system at all sites.

25% improvement on last three year average LTIFR, and % hours lost.

- *Maintain safety system accreditation to AS4801.*
- *Implement behavioural-based safety processes.*



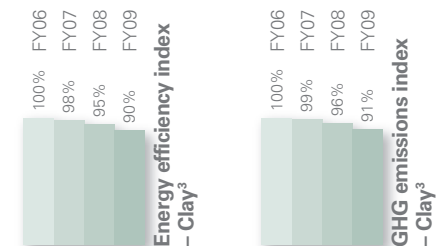
#### Environment

##### Energy conservation and climate change

- Energy use and GHG emissions both decreased by 14% to 4.5 million GJ and 317,800 tonnes of CO<sub>2</sub> respectively.
- Clay product energy use and GHG emissions per tonne of production both decreased by 5% as a result of kiln optimisation programs and permanent closure of two older high energy kilns.
- To date, five sites have participated in the Energy Efficiency Opportunities (EEO) program; initiatives being implemented will save up to ~127,000 GJ p.a.

Reduce emissions per unit and offset Boral's increases in absolute emissions as a result of market demand growth.

- *Implement selected EEO initiatives to deliver a reduction in kiln energy usage.*
- *Ongoing kiln optimisation programs.*



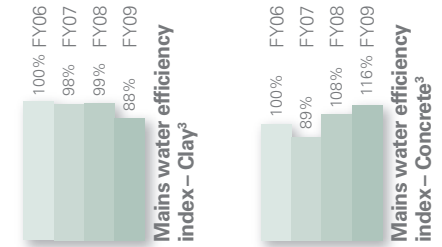


**Water conservation, extraction and protection**

- Mains water usage decreased by 14%, reflecting lower production and water conservation programs.
- On a per tonne of clay production basis, mains water use decreased by 11% due to increased water recycling and collection.
- Established a pilot waste water recycling program at Badgerys Creek.
- Water efficiency in concrete products decreased by 8% due to changes in product mix.

Reduce mains water consumption across the division.

- *Participate in local council water harvesting schemes.*
- *Improve water metering.*
- *Expand water recycling programs.*

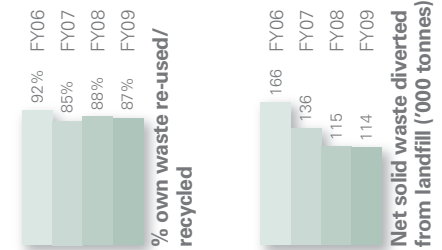


**Waste and resource management, recycling and re-use**

- A net consumer of waste, the division used 199,400 tonnes of waste in production in FY09, and recycled/re-used 87% of own waste.
- Midland Brick's recycling program collected 14,400 tonnes of brick and concrete waste product.

Minimise waste from operations and maximise percentage of waste re-used and recycled.

- *Reduce packaging material used.*
- *Reduce reliance on virgin clay materials through product design and alternate sourcing.*



**Marketplace and supply chain**

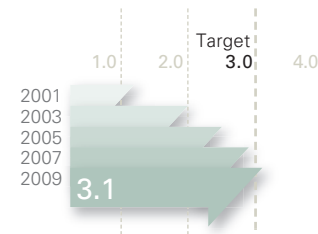
**Sales and marketing**

- Expansion of lightweight masonry product suite; benefits include improved manual handling, lower energy use for transport and increased use of waste.
- Continued research and promotion of bricks in energy efficient building through Think Brick and Newcastle University.

Ongoing development of sustainable products and promotion of sustainability attributes of existing products.

- *Development of lifecycle inventory and lifecycle assessments for key products.*

**BSDT scorecard Sales and marketing**



**Social responsibility**

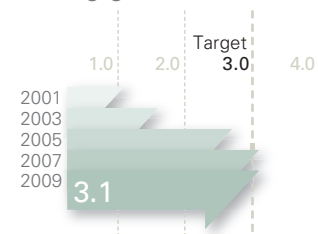
**Community relations and engagement**

- Ongoing community engagement groups at various sites.
- Strengthened community relations through participation in local Conservation Volunteers Australia projects.
- Continuing to support Western Australia's Telethon through material donations from Midland Brick.
- Partnered with local Springvale Church to repair damaged pallets.

Maintain the support and goodwill of C&C's surrounding communities through a high level of engagement and consultation.

- *Implement community relations and engagement initiatives.*

**BSDT scorecard Community relations and engagement**



**About Clay & Concrete Products**

C&C manufactures, distributes and markets clay products (terracotta roof tiles, clay bricks and pavers) and concrete products (concrete roof tiles, masonry blocks, bricks and pavers). The division has 23 manufacturing sites under Boral management, approximately 1,750 full-time equivalent employees and approximately 800 contractors in Australia.

<sup>1</sup> In preparation for reporting under the National Greenhouse and Energy Reporting Guidelines, Scope 2 factors have been applied for electricity in FY08 and FY09. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted by removing Scope 3 electricity. Year-on-year comparison excludes additional scope.

<sup>2</sup> If quantitative waste data is not available, waste is calculated through a mass balance equation or estimated through sampling. Waste recycled/re-used includes both internal waste and external by-products consumed.

<sup>3</sup> Indexed to 100% in FY06 as base year. Calculation based on total for clay or concrete products (as identified) divided by tonne of clay or concrete product produced as indicated. Masonry tonnage amended to standardise lightweight products.

# Timber



Boral Timber achieved Australian Forestry Standard Chain of Custody certification for the Hardwood and Softwood businesses which complements the existing certification for Plywood. This is a significant milestone for the Timber division in strengthening the future of sustainably managed forests and wood products. Chain of Custody certification demonstrates traceability of products from sustainable and legal forestry through to end-users.

Boral's Timber Division continues to improve its safety performance through strengthening HS&E leadership, expansion of the Safe Mate program to align with the Boral Best Practice elements, and implementation of employee health and well-being initiatives.



30,000 tonnes CO<sub>2</sub> emitted (5%↓)<sup>2</sup>

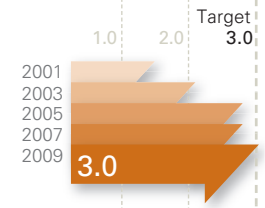


73 million litres of mains water consumed (10%↓)



260,000 tonnes of waste and by-products recycled/re-used (17%↑)<sup>3</sup>

BSDT performance



## Our performance

## Our goals/plans

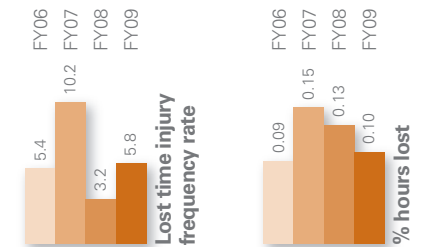
### Human resources

#### Health and safety

- Recordable injury frequency rate (RIFR) down 15%, due largely to improved manual handling. Employee LTIFR of 5.8 compares with target of 4.7. Percentage hours lost of 0.10 down 23%, which is better than target, indicating reduced severity of injuries.
- Contractor LTIFR of 4.1 was better than last year and target of 5.4.
- Implemented successful lifestyle, Battle of the Bulge (BoB) employee challenge; participating employees lost 628kg of body weight.

25% improvement on last three year average LTIFR and % hours lost.

- Deploy additional safety KPIs and objectives further down into the business.
- Implement targeted improvement strategies for energy isolation and task based risk assessment.
- Further evolve manual handling initiatives.
- Expand BoB challenge to other Boral divisions.



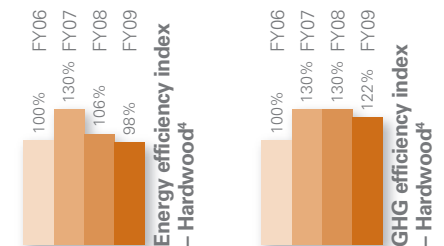
### Environment

#### Energy conservation and climate change

- GHG emissions remained steady year on year due to increased reporting scope. On a comparative basis, GHG emissions were down 5% on FY2008, reflecting lower production volumes.
- Plywood completed a stage one energy review highlighting energy usage and cost trends/savings.

Reduce emissions per unit and offset Boral's increases in absolute emissions as a result of market demand growth.

- Continue to develop plantation strategy and review costs/benefits of small-scale cogeneration in light of the CPRS.
- Carry out a stage two energy audit for Plywood, with a goal to reduce electricity by 10%.



### Water conservation, extraction and protection

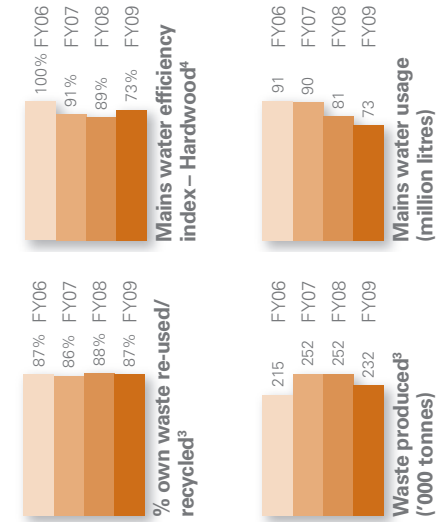
- HPP has reduced mains water use by 37% since 2007 (versus target of 20%) through improvements and repairs, and use of recycled water.
- Hardwood mains water use down 16% on FY2008 largely due to kiln "wet bulbs" project and lower production volumes.
- Plywood achieved a 15% reduction in mains water consumption since 2005 due mainly to improvements and repairs.

### Waste and resource management, recycling and re-use

- Waste produced down 5% due to lower production.
- Timber residue streams provided biomass fuels to large scale cogeneration facilities on the far north coast of NSW.
- ~260,000 tonnes of our own and external timber residues used in paper production, biomass fuels, landscaping and animal husbandry.
- Trialled new scanning technologies to improve recoveries and grade yield at Kyogle.

- Reduce mains water consumption across the division.
- *Further develop Plywood water saving programs to achieve an overall 25% reduction in mains water use on 2005 levels.*
  - *Explore options to use third party recycled water at HPP with Oberon Council.*

- Improve conversion of timber resource to value-added timber product.
- *Identify opportunities to convert further waste residues to biomass for energy production.*
  - *Develop business case for investing in scanning technology in Hardwood to improve recoveries.*



## Market place and supply chain

### Sales and marketing

- Australian Forestry Standard Chain of Custody certification (AS4707-2006) for Hardwood, Plywood and Softwood businesses.
- Through targeted communications, Boral Timber increased customer/specifier awareness of the benefits of Chain of Custody certification.
- Worked with the Department of Agriculture, Fisheries and Forestry to develop guidelines to prevent illegally logged imports.

Use Boral's supply chain to deliver improved sustainability outcomes.

- *Maintain AFS accreditation across all timber product range.*
- *Participate in industry LCI/LCA development programs.*



## Social responsibility

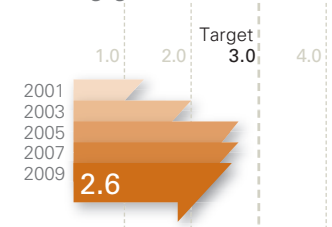
### Community relations and engagement

- Site visits by ~100 school, TAFE and medical students from UNSW Rural Health program.
- Continued support for local shows, schools and regional events, including Dungog Film Festival.
- Indigenous employees and family members participated in Boral's inaugural Bangarra Dance Theatre family day.
- Temporary closure of Walcha mill was an issue of concern for local community in FY2009.

Contribute positively to regional communities.

- *Conduct formal community engagement and risk assessment at key sites.*
- *Participate in local Conservation Volunteers Australia projects.*
- *Through HPP, participate in NSW Correctional Services Work Release Program at Oberon.*

### BSDT scorecard Community relations and engagement



### About Timber

Boral Timber incorporates Hardwood, Softwood and Plywood operations. The softwood manufacturing operations are 50% owned by Boral through the Highland Pine Products (HPP) joint venture; HPP is managed by a separate joint venture board. Boral Timber reports data for 100% Boral owned businesses. HPP's equity share of GHG emissions data is reported as part of Boral's overall equity share of joint venture data (Scope 3 emissions) on page s19.

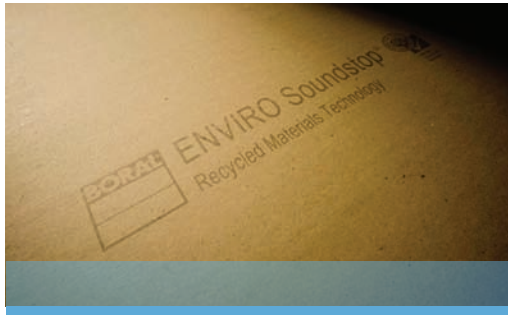
The division has 17 operating sites and five distribution sites under Boral management and approximately 680 employees in Australia.

<sup>1</sup> Additional scope for non-operating sites was reported in FY09, as required under the National Greenhouse and Energy Reporting System. Additional scope has been removed for year-on-year comparison.

<sup>2</sup> In preparation for reporting under the National Greenhouse and Energy Reporting System, Scope 2 factors have been applied for electricity in FY08 and FY09. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted.

<sup>3</sup> If quantitative waste data is not available, waste is calculated through a mass balance equation or estimated through sampling. Waste recycled/re-used includes both internal waste and external by-products consumed.

<sup>4</sup> Indexed to 100% in FY06 as base on a per unit of production basis.



Plasterboard continues to benefit from a strong safety culture, with only one lost time injury (LTI) in the last two years. Plasterboard won the 2009 Boral Excellence Award for Safety. The year was challenging for the division, with the commissioning of our new plant in Pinkenba (Queensland), exiting the Northgate site and the relocation of our South Australia business from Gillman to new premises at Woodville. At our Pinkenba plant, our people developed skills in the new plant technologies. By year end, our confidence and understanding had increased to a level where the plant is now delivering lower energy and water usage, enhancing the sustainability credentials of the Plasterboard business.



119,800 tonnes CO<sub>2</sub> emitted (1%↑)<sup>1</sup>

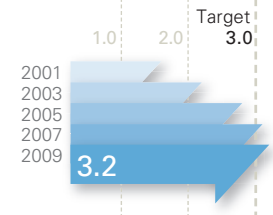


270 million litres of mains water consumed (13%↓)



68,500 tonnes of waste recycled/re-used (60%↑)<sup>2</sup>

BSDT performance



Our performance

Our goals/plans

Human resources

Health and safety

- Employee LTIFR of 0.7 versus target of 0.9, with 0.03% hours lost in line with target.
- Contractor LTIFR of 3.1 and % hours lost of 0.05.
- Over 2,100 actions raised, with 95% closed out by the agreed date, well above the FY2009 targeted rate of 85%.
- More than 11,000 safety conversations recorded in FY2009 (and over 40,000 since FY2005).

25% improvement on last three year average LTIFR and % hours lost.

- Continue focus on high risk activities and use of national management systems.
- Continue to implement lead indicators, encouraging behaviours needed to sustain performance and to develop a "caring" culture for both employees and contractors.



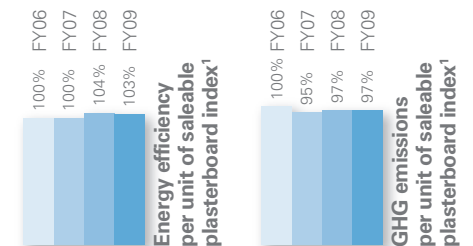
Environment

Energy conservation and climate change

- Energy use increased by 5% to 1.7 million GJ; GHG emissions increased by 3% to 119,800 tonnes of CO<sub>2</sub>. GHG emissions were up 1% excluding increased scope and were due to increased production volumes associated with commissioning of the new plant.
- Energy use per unit of production decreased by 1% and GHG emissions per unit of saleable Australian plasterboard remained steady year on year due to the commissioning at Pinkenba, which was offset by mill efficiencies at the new plant.
- Boral's equity interests in Australia (GRA and Rondo) generated 5,000 tonnes of CO<sub>2</sub>, while Boral's share of the Asian plasterboard joint venture LBGA emitted 131,000 tonnes of CO<sub>2</sub>.

Reduce emissions per unit and offset increases in absolute emissions as a result of market demand growth.

- Review energy efficiency assessments at Port Melbourne.
- Reduce GHG emissions per tonne of production at Pinkenba through the use of new technologies.



### Water conservation, extraction and protection

- Mains water usage decreased by 13% year on year and mains water usage in Queensland was down 49% in FY2009, due to reliance on rainwater harvesting at Pinkenba despite the overlap of producing at two plants during the commissioning of Pinkenba.
- Mains water per unit of board sold decreased by 12%.

### Waste and resource management, recycling and re-use

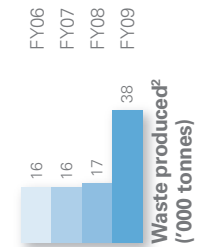
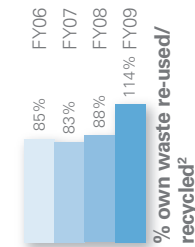
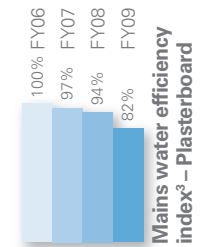
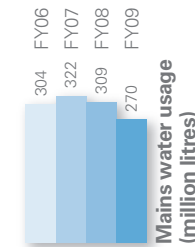
- As a net consumer of waste, plasterboard recycled/re-used 68,500 tonnes of waste in FY2009 and recycled/re-used 114% of its own waste from production including from existing stockpiles.
- Developed ENVIRO™ plasterboard products, which have a minimum of 10% recycled content.

Reduce mains water consumption across the division.

- *Commission rainwater harvesting initiative at Port Melbourne and investigate rainwater harvesting opportunities at Camellia to reduce dependence on mains water.*
- *Reverse osmosis water from Luggage Point to replace remaining mains water at Pinkenba.*

Minimise waste from operations and increase waste re-used and recycled that would have otherwise gone to landfill.

- *Investigate further waste recycling opportunities including the introduction of higher recycled content products and recycling at Port Melbourne.*
- *Continue reducing all forms of waste through further development of lean manufacturing skills.*



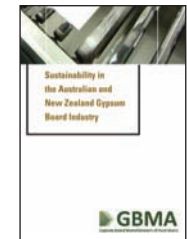
## Marketplace and supply chain

### Sales and marketing

- Developed ENVIRO™ plasterboard range, which has a minimum of 10% recycled content. Available in 13mm Enviro Regular and 13mm Enviro SoundStop formulations.
- Supplied plasterboard and ENVIRO™ board to Australia's first 9 star house, Harmony 9.
- Through the Gypsum Board Manufacturers of Australasia (GBMA), Lifecycle Inventory of plasterboard now available at [www.boral.com.au/plasterboard/](http://www.boral.com.au/plasterboard/)

Continue to develop sustainable products and promote sustainability of existing products.

- *Further develop new ENVIRO™ boards in response to market demands and product development initiatives.*
- *Investigate new manufacturing technologies and product performance criteria to enhance sustainability credentials of our product range.*



## Social responsibility

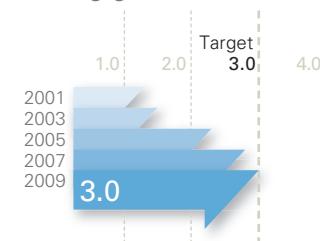
### Community relations and engagement

- Boral Plasterboard is an active member of community and industry bodies including GBMA, and Camellia and Pinkenba community groups.
- Participated in the JDRF's Walk, Spin and Ride for a Cure events.
- Actively promoted introduction of apprenticeship qualifications in wall and ceiling lining in three states.

Maintain the support and goodwill of communities surrounding Plasterboard's activities through engaging and consulting on relevant issues.

- *Actively participate in lifecycle assessments through industry bodies.*
- *Support the Construction & Property Services Industry Skills Council to promote trade-based apprenticeships.*

### BSDT scorecard Community relations and engagement



### About Plasterboard

A leading source of value-added wall and ceiling solutions, products and services with emphasis on plasterboard and plasterboard systems. The division has: four operating sites and 49 distribution sites under Boral management; a 50% share of Gypsum Resources Australia (under GRA management); a 50% share of Rondo Building Systems (under Rondo management); and a 50% share of LBGA (under LBGA management working under Lafarge systems). Boral Plasterboard operates with approximately 680 employees in Australia.

<sup>1</sup> In preparation for reporting under the National Greenhouse and Energy Reporting Guidelines, Scope 2 factors have been applied for electricity in FY08 and FY09. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted. Non-operating sites reported for the first time in FY09.

<sup>2</sup> If quantitative waste data is not available, waste is calculated through a mass balance equation or estimated through sampling. Waste recycled/re-used includes both internal waste and external by-products consumed.

<sup>3</sup> Indexed to 100% in FY06 as base year. Calculations based on total divided by square metres of saleable plasterboard produced for Australia only.



Boral USA's continued focus has been to manage the business during the most severe market downturn in the USA since the Great Depression. We continue to strive to meet our sustainability objectives through Bricks Silver-to-Gold, shifting production to our most efficient facilities and selling bricks from plants closer to customers, ongoing development and use of alternative fuels and the continuation of health, safety and well-being programs. It has been an extremely difficult year, with the reduction at any one time of around 50% of the workforce; however, employee morale has still remained high and safety has improved. Milestones achieved this year include the LEED Silver certification for the Terre Haute brick facility and Cradle to Cradle certification for US Tile products.



230,000 tonnes CO<sub>2</sub> emitted (41%↓)<sup>1</sup>

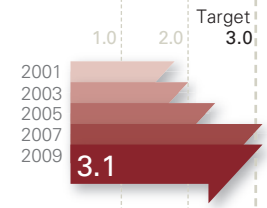


295 million litres of mains water consumed (35%↓)<sup>1</sup>



2.7 million tonnes of waste and by-products recycled/re-used (22%↓)<sup>2</sup>

BSDT performance



Our performance

Our goals/plans

Human resources

Health and safety

- Employee LTIFR of 1.4 versus target of 2.7, with % hours lost of 0.12, in line with target, achieved through training and commitment from frontline supervisors.
- Contractor LTIFR of 0 for 2009, compared to 1.8 for 2008.
- 21% reduction in overall rate of incidents resulting in less days away from work, restricted duty or temporary transfer to another position.
- Workers' compensation claim costs decreased by 17%, with number of claims down by 40%.

25% reduction on last three year average LTIFR and % hours lost.

- *Develop standardised auditing system to ensure safety compliance.*
- *Focus on lead indicators to encourage safe behaviours for employees and contractors.*
- *Enhance risk awareness and employee/contractor engagement through increased safety conversations and information sharing.*



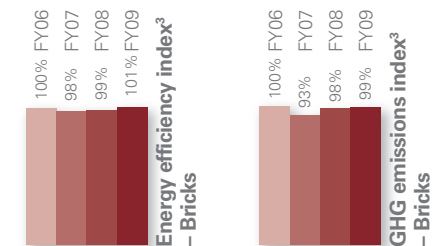
Environment

Energy conservation and climate change

- Energy use of 3.8 million GJ and GHG emissions of 230,000 tonnes CO<sub>2</sub> decreased by 38% and 41% respectively, due to temporary plant closures in response to market conditions.
- Energy and GHG emissions per unit of brick production increased by 2% and 1% respectively, due largely to fixed electricity agreements at facilities which were temporarily closed and the inefficiencies in operating brick kilns at less than full production.
- Renewable energy use for brick production up by 5% to 18% of energy consumed.

Reduce emissions per unit and offset increases in absolute emissions as a result of market demand growth.

- *Continue to increase use of biofuels such as landfill gas and wood waste.*
- *Continue to improve energy efficiency by shifting production capacity to higher efficiency plants.*
- *Readiness for the US emission trading scheme.*



### Water conservation, extraction and protection

- Mains water use decreased by 35% year-on-year, reflecting lower overall production.
- Mains water use per unit of production was up 12% for Tile and up 45% for Bricks due to line leakages which have subsequently been repaired. The US Bricks increase was also due to the addition of the new Terra Haute plant and substitution back to mains water at another brick plant.

### Waste and resource management, recycling and re-use

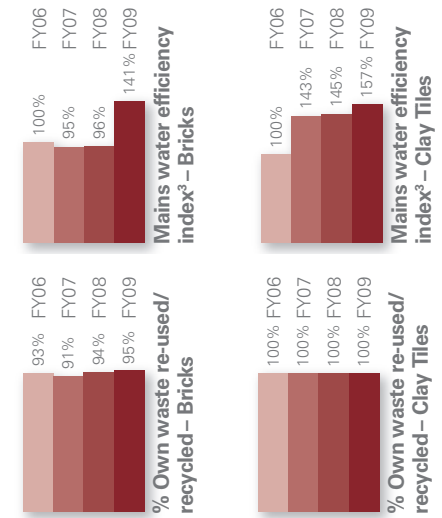
- USA continues to be a net consumer of waste, re-using/recycling 2.7 million tonnes of external and internal waste and by-products, down 22% on FY2008; the largest component of waste used is fly ash, a coal combustion by-product.
- 97% of internal production waste re-used or recycled.
- Bricks reduced waste production on a per unit basis by 50% year on year by operating the more efficient plants and improved re-use and recycling.

Reduce water consumption across the division.

- *Improve collection and recycling/re-use of water.*
- *Continue elimination of unnecessary and unintentional water use.*
- *Evaluate water requirements per facility (eg production, maintenance, sanitation) and focus on establishing efficiency targets.*

Minimise waste from our operations and increase the amount of waste re-used and recycled that would otherwise go to landfill.

- *Increase use of waste materials in product mix.*
- *Generate less production waste from new plants and kiln retrofits.*



## Marketplace and supply chain

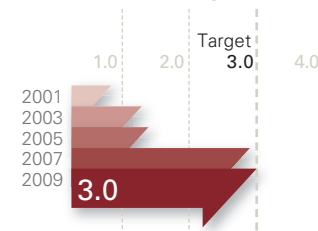
### Sales and marketing

- US Tile achieved Cradle to Cradle certification for its products.
- US Tile has partnered with a solar panel supplier to provide a uniform roofing system with embedded solar capability.
- Bricks conducted an extensive sustainability training program for over 150 sales managers and customers.

Continue to develop sustainable products and promote sustainability of existing products.

- *Investigate product certification to applicable and reputable “environmental” standards.*
- *Continue product development and innovation with the goal of enhancing the product’s environmental footprint.*

### BSDT scorecard Sales and marketing



## Social responsibility

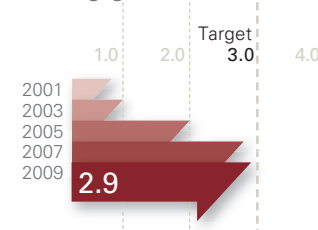
### Community relations and engagement

- US\$63,000 was donated to JDRF in 2009 through US employee donations, fundraisers and the company’s US\$25,000 match.
- HomeAid partnership continues with a donation of clay roof tile for use in a working ranch project designed to rebuild self-esteem in victims of child abuse.
- Six means-tested college scholarships of US\$4,000 p.a. each given to employees’ children, assisting families that would otherwise not have the means to fund a college education.

Maintain the support and goodwill of communities surrounding Boral’s activities through engaging and consulting on relevant issues.

- *Support HomeAid through provision of materials for selected projects in 2009/10.*
- *Continue the Boral Scholarship Award program at the same level.*

### BSDT scorecard Community relations and engagement



## About USA

Boral’s US operations include clay brick (Boral Bricks) and roof tile manufacturing (US Tile), fly ash marketing and re-use (BMTI) and concrete and quarry operations in Denver, Colorado and Oklahoma City, Oklahoma. The division has 97 operating sites and 56 distribution sites under Boral management and around 1,600 employees in the USA. Boral owns 50% of the MonierLifetile concrete roof tile JV, which is under MonierLifetile management. Boral is also a 50% joint partner in a clay roof tile operation in Trinidad. Sustainability data reported for 100% owned businesses with limited reporting for MonierLifetile. This is the first year of reporting for the concrete and quarry operations in Oklahoma.

<sup>1</sup> Greenhouse gas emissions and mains water year-on-year comparison excludes additional scope. Construction Materials – Oklahoma was reported for the first time in FY09.

<sup>2</sup> If quantitative waste data is not available, waste is calculated through a, mass balance equation, or estimated through sampling or as a percentage of production. Waste recycled/re-used includes internal waste, external waste and by-products consumed.

<sup>3</sup> Indexed to 100% in FY06 as base year. Calculations are based on total energy, GHG emissions and mains water for Bricks USA or Clay Tiles divided by tonnes of product produced.

## Independant Assurance Statement

To the Board of Directors, Management and Stakeholders of Boral Limited:

Boral Limited (Boral) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of its 2009 Sustainability Report (the 'report'). The report presents Boral's sustainability performance over the period 1 July 2008 to 30 June 2009. Boral was responsible for the preparation of the report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing its assurance activities is to the Board and Management of Boral alone and in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

### Assurance Standard and Objectives

The assurance was undertaken in accordance with the AA1000 2008 Assurance Standard (AA1000AS). Assurance undertaken using this standard provides a comprehensive way of ensuring that an organisation is responsible for its management, performance and reporting on sustainability issues. This is achieved through the evaluation of the organisation's adherence to the AA1000 Accountability Principles (2008) and by reviewing the accuracy and quality of disclosed sustainability performance information.

The AA1000 Accountability Principles (2008) against which Boral's processes are assessed include:

- **Inclusivity:** An assessment is made on whether the organisation has included stakeholders in developing and achieving an accountable and strategic response to sustainability.
- **Materiality:** An assessment is made on whether the organisation has included in its report the material information required by its stakeholders to be able to make informed judgements, decisions and actions.
- **Responsiveness:** An assessment is made on whether the organisation has responded to stakeholder concerns, policies and relevant standards and adequately communicated these in its report.

### Assurance Type, Level and Methodology

Net Balance provided Type 2 moderate level of assurance in accordance with the AA1000AS (2008). This involved an assessment of the organisation's adherence to the AA1000

Accountability Principles (2008) and an assessment of the accuracy and quality of the sustainability performance related information contained within the report. A full description of the Assurance methodology is available at [www.boral.com.au/sustainability](http://www.boral.com.au/sustainability).

### Assurance Limitations

The assurance scope covered the whole report and focussed on systems and activities of Boral during the reporting period, with the following exceptions:

- The scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance.
- The assurance provider's involvement with stakeholder engagement was limited to reviewing external and internal stakeholder engagement processes and outcomes.
- Compliance with the National Greenhouse and Energy Reporting (NGER) Act 2007 was not included in the scope of the assurance.

### Our Independence and Competency

Net Balance was not responsible for preparation of any part of the report. During the reporting period, Net Balance was commissioned by Boral to undertake an independent review of divisional Boral Sustainability Diagnostic Tool (BSDT) scores. This independent review of divisional sustainability performance assisted with the objectives of the broader assurance engagement. Detailed information on Net Balance's assurance competency is available at [www.boral.com.au/sustainability](http://www.boral.com.au/sustainability).

### Findings and Conclusions

#### Adherence to AA1000 Accountability Principles

- **Inclusivity:** Boral was found to have effective systems in place to engage with a variety of stakeholders. These systems assist Boral to gain feedback on its material sustainability issues. Net Balance reviewed a number of case studies from the report that highlighted engagement with internal and external stakeholders.
- **Materiality:** Boral uses the BSDT to manage material sustainability issues across the business. The report was found to be consistent with the 20 BSDT elements which encompass Boral's environmental, social and economic

material issues. In addition, the report was also found to provide balanced information about Boral's management of sustainability performance across its material sustainability issues.

- **Responsiveness:** Net Balance tested the responsiveness of Boral to its stakeholders through a review of management systems and policies that govern the way that Boral responds to stakeholder concerns and interests. Boral was found to be responsive to stakeholder concerns and expectations, demonstrated through a number of highlighted case studies within the report, which were reviewed by Net Balance.

#### Reliability of Performance Information

Based on the scope of the assurance process, the findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information. Overall, it is Net Balance's opinion that the information presented within the report is fair and accurate. The report was found to be a reliable account of Boral's sustainability performance during the reporting period. Detailed information on the reliability of performance information is available at [www.boral.com.au/sustainability](http://www.boral.com.au/sustainability).

#### The Way Forward

It was found that the report appropriately addresses Boral's environmental, social and economic material issues. To ensure that Boral continues to improve, Net Balance has provided recommendations and suggested improvements with regard to data management and prioritisation processes for divisional material issues. These have been outlined in a more detailed report presented to Boral's management.

On behalf of the assurance team

27 August 2009  
Melbourne, Australia



Terence Jeyaretnam  
Director,  
Net Balance & Lead CSAP (IRCA UK)

