

Boral



It's *not business as usual* at Boral



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Our 2008 Sustainability Report can be found on the reverse side of this Annual Review.

Financial calendar*

Ex dividend share trading commences	25 August 2008
Record date for final dividend	29 August 2008
Final dividend payable	18 September 2008
Annual General Meeting	24 October 2008
Half year	31 December 2008
Half year profit announcement	11 February 2009
Ex dividend share trading commences	23 February 2009
Record date for interim dividend	27 February 2009
Interim dividend payable	3 April 2009
Year end	30 June 2009

* Timing of events is subject to change.

The Annual General Meeting of Boral Limited will be held at the City Recital Hall, Angel Place, Sydney on Friday 24 October at 10.30am.

The Annual Review includes a concise report containing abbreviated financial statements. Detailed financial statements are available in the separate 2008 Financial Report, which shareholders may access on Boral's website 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 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: The 20km long Gateway Motorway upgrade project in Brisbane includes the duplication of the Gateway Bridge. The new 1.6km long bridge will link both sides of the Brisbane River with its 130 metre long and 80 metre high mainspan.

Boral has been working with the developer, Leighton Abigroup Joint Venture on this project for Queensland Motorways Limited. We delivered 156,000m³ of concrete to the project in 2007/08 and will supply a total of 250,000m³ by the completion of the project.

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CEO and Managing Director
Rod Pearce
Chief Financial Officer
Ken Barton
Company Secretary
Michael Scobie
Auditor
KPMG

It's *not business as usual* at Boral

Boral is an integrated, resource-based manufacturing company with strong upstream and downstream positions in building and construction materials markets in Australia, the USA and in Asia.

The markets in which we operate are cyclical in nature. Dealing with cyclical market swings is *business as usual* for Boral, but in 2008, it is *not business as usual*. The spectacular cyclical downturn in the USA has coincided with several other extraordinary factors to create a particularly challenging business environment.

Boral's 2008 performance highlights the growing importance of Boral's largest reporting group, Construction Materials, Australia. Strengthening results from the Australian business (despite the continued housing downturn) partially offset a dramatic decline in Boral's offshore earnings.

Key financial results for 2008:

- Net reported profit after tax down 19% to **\$243 million**
- Sales revenue up 6% to **\$5.2 billion**
- EBITDA¹ down 10% to **\$688 million**
 - Australian EBITDA up 9% to **\$657 million**
 - Offshore EBITDA down 82% to **\$27 million**
- EBITDA¹ to sales margin of **13.2%**
- Earnings per share¹ down 17% to **41.4 cents**
- Full year fully franked dividend maintained at **34 cents**

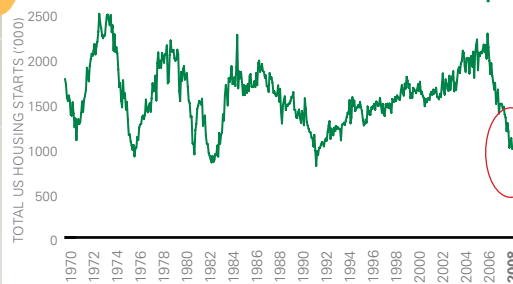
1. Excluding significant item

Challenges

Boral faces a number of **challenges** due to several extraordinary external factors. These simultaneous events have created a business environment that is *not business as usual*.

1

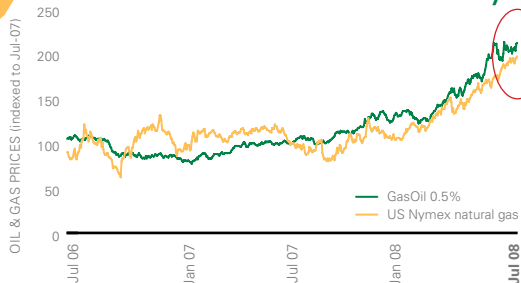
US housing activity down 45% from its 2006 peak



In 2007/08 total US housing starts were down 27% to 1.13 million compared to 1.55 million in the prior year, leading to Boral's USA EBIT decreasing from a A\$95 million profit to a A\$27 million loss.

2

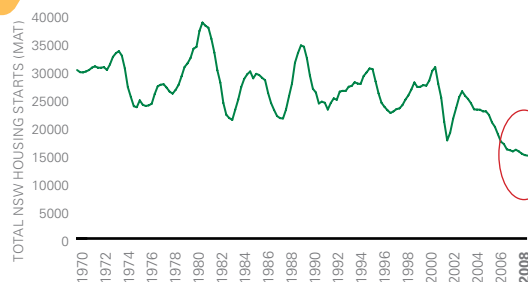
Energy and other input costs increase dramatically during 2008



Overall Boral's costs grew by 6.5%. For example GasOil and Natural Gas prices up 112% and 97% respectively, impacting transport and manufacturing costs.

3

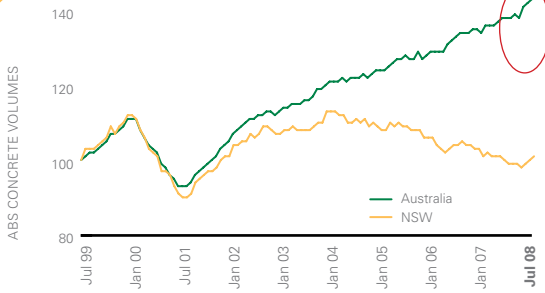
NSW housing activity at 40 year lows



Australian housing activity remains at low levels, and well short of underlying demand – especially in NSW where Boral earns around 40% of its Australian revenues.

4

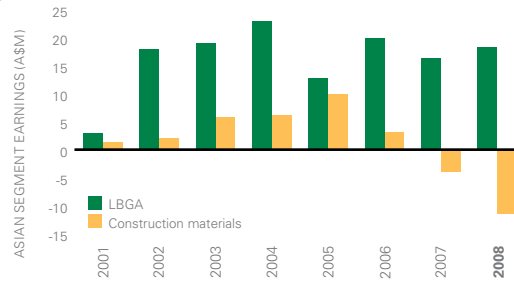
Demand for concrete in Australia at record levels



Solid levels of infrastructure and non-dwelling activity drove industry concrete volumes up 7%, and Boral's Construction Materials EBIT up 10% to A\$351 million. To meet this growing demand, Boral is investing in further construction materials capacity.

5

Despite plasterboard growth, Asian profits declined by A\$5 million



While plasterboard markets improved, contributing to a 29% increase in LBGA's underlying earnings (before exchange rate impacts), Asian construction materials margins fell significantly and trading conditions remain challenging.

6

Global credit crisis impacts liquidity and borrowings



A global credit tightening was experienced in 2007/08 leading to diminished market liquidity and higher borrowing costs.

7

Government progresses emissions trading scheme



The "Carbon Pollution Reduction Scheme", scheduled for introduction in 2010, will impact emissions-intensive, trade-exposed (EITE) industries such as the cement industry. Recognition of cement as an EITE industry and provision of a "level playing field" for domestic competitors and importers is vital for Boral.

Response

We recognise that in a *not business as usual* environment, the best **response** is to focus on the things that are within our control and to do them particularly well.

1

To manage *the major downturn in US housing activity*, Boral is implementing a rigorous cost saving and plant slowdown program, but still investing for market recovery.

- US\$42.5 million of cost saving programs in Bricks and MonierLifetile (Boral's share) have been implemented, with US\$11 million of savings already delivered. An incremental benefit of US\$31.5 million is expected in 2008/09. An extensive plant slowdown/mothballing program is in place in bricks and roof tiles to match production with sales and avoid an inventory build. By year end, utilisation was ~40% and ~30% in bricks and roof tiles, respectively.
- A new US\$55 million brick plant in Terre Haute, Indiana, and a US\$30 million clay tile plant in Lone, California were commissioned in 2008. These new plants position Boral well when markets recover and, during the downturn, these low cost plants will operate at high utilisation, allowing higher cost capacity to be mothballed.
- We are embarking on a step change program in the Denver and Oklahoma construction materials businesses including plant optimisation, an alternative fuels study and integration of systems and overheads.

2

To manage *energy, fuel and other cost increases*, Boral is increasing prices and investing in alternative fuel strategies.

- We are strongly focused on recovering costs through price increases. In Australia we have announced August / September 2008 price increases in concrete (\$12.50 per cubic metre), quarries (\$1 - \$3 per tonne), and cement (\$15 per tonne). Additionally, price increases have been announced for most building products and fuel price levies introduced for bricks, roof tiles and masonry products.
- In the USA, price increases and energy surcharges have been announced and an through alternative fuels strategy the new Terre Haute brick plant is operating on up to 80% landfill gas, and overall in the US brick business, we are targeting to source around 30% of energy from alternative (lower cost) fuels.
- Performance Enhancement Programs (PEP) across the company delivered \$151 million of savings in 2007/08, a 3.4% reduction in compressible costs.

3

Despite the *protracted housing downturn in Australia, especially in NSW*, Boral's price management and capacity planning strategies are allowing the Company to remain competitive.

- Despite volume pressures, Building Products earnings increased due to disciplined price and cost management programs.
- Matching production with sales demand continues, with East Coast brick plant utilisation ~75% in 2008. Post year end, Boral's Grafton parquetry plant was closed and production at the Walcha timber mill was suspended as a result of the continued NSW downturn and high input costs.
- Growth investments have been directed to higher growth states. Boral's new low-cost plasterboard plant at Pinkenba, which was commissioned in 2008 for a net investment of ~\$119 million, will supply a growing Queensland market.

4

Infrastructure activity is delivering *record levels of demand for concrete in Australia*, (outside NSW), with Boral investing to supply growing markets.

- Around 45% of Boral's A\$2.3 billion of growth spend since demerger has been invested into construction materials to increase cement capacity, maximise quarry output and expand Boral's concrete and asphalt networks into growth regions around Australia. An A\$85 million (total) investment is underway in Sunstate Cement to lift clinker storage and cement grinding capacity from 1.0 million to 1.5 million tonnes per annum.
- Low levels of demand in NSW are resulting in under-utilisation of the Berrima cement works with excess capacity being used to supply wholesale purchases and to supply interstate.

5

With *mixed conditions across Asia*, cost disciplines, price increases (where possible) and investments to strengthen Boral's leading positions are continuing.

- In the LBGA plasterboard joint venture, price increases and a structured cost reduction program have offset input cost increases and enhanced margins.
- LBGA's leading positions continue to strengthen. US\$70 million was invested into new plants in Dangjin (Korea), Chengdu (China) and Rajasthan (India) with commissioning completed in 2008. A further US\$48 million investment in Baoshan (China) was announced in August 2008.
- In construction materials, focus is on delivering improved results through targeted volume growth, cost disciplines, and where possible, price increases. Due to continued challenging conditions, in FY08 we wrote-off the \$31.9 million of goodwill which arose on acquisition of the Thailand business in 2004.

6

Despite the *global credit crisis*, Boral maintains a robust balance sheet and continues its value adding capital management initiatives.

- Boral's balance sheet remains robust, with gearing (debt/equity) of 52% within our target of 40%-70%. Cash flow from operations increased by \$100 million to \$582 million in FY08 and stay-in-business capital expenditure was maintained at 70% of depreciation.
- Value-adding capital management initiatives were undertaken including a \$114 million off-market share buy-back, which was completed in April 2008.
- In April 2008, we completed an issuance of US\$382 million of 10 and 12 year unsecured notes in the US private placement market and following year end a US\$600 million note issuance facility expiring in August 2009 was replaced by a US\$700 million facility expiring in August 2011. Boral's debt maturity now averages around 6 years. Our facilities ensure funding is available for current projects and potential market opportunities.

7

To manage the impact of the *introduction of an Australian emissions trading scheme*, Boral is improving its energy and emissions reporting, and investing in emissions abatement programs.

- The Government's Green Paper on the Carbon Pollution Reduction Scheme indicates that the cement and lime industries are likely to be recognised as EITE industries and that compensation will take place for such industries. We remain concerned about the phasing out of compensation over time.
- Boral's 2007/08 emissions of 3.79 million tonnes CO_{2-e} were 1% higher than the prior year due to a lift in production volumes in Australia, largely offset by a decline in USA emissions.
- Our focus on reducing emissions continues, particularly in cement, transport and brick operations. Our emissions produced per unit of cementitious material sold is 13% lower than 1990 levels. In the USA, 30% of our energy use is currently sourced from lower cost, lower greenhouse gas intensive alternative fuels.

Chairman's Review

A solid 2007/08 result in challenging conditions

2007/08 was a challenging year for many of Boral's businesses, particularly our building products businesses in the USA and construction materials operations in Asia. In Australia, our businesses in New South Wales continued to face low levels of activity, but elsewhere around the country strong levels of infrastructure and non-dwellings activity saw volume lifts and solid improvements in earnings.

We reported a 6% increase in sales revenue to \$5.2 billion but a 10% decline in Boral's underlying EBITDA¹ (earnings before interest, tax, depreciation and amortisation) to \$688 million. Our reported profit after tax (PAT) of \$243 million was down 19% and underlying PAT of \$247 million (excluding goodwill and tax provision adjustments) was 17% lower.

In Australia, housing activity remained at low levels, especially in New South Wales. However, the overall value of work done in Australian building and construction was up by nearly 5% year-on-year as increased work in Australian non-dwellings and major projects offset the soft housing market. Boral's Australian sales revenues were up 13% due to solid price gains, volume increases and growth benefits. EBITDA in Construction Materials was up 8% to \$489 million and in Building Products was up 11% to \$168 million. The results were underpinned by strong markets in Queensland and Victoria which offset softer conditions in Western Australian housing activity and continued weakness in New South Wales.

In the USA, the continued deterioration in the housing market, particularly in the second half of the year, saw a 13% decline in US dollar revenues and a decrease in EBITDA from US\$102 million to US\$10 million. Total housing starts were down 27% year-on-year to 1.13 million starts. This compares with peak levels of demand above 2.0 million starts experienced just a couple of years ago in 2005/06. Lower volumes, increased raw material costs and one-off costs (of US\$4 million) associated with programs

to reconfigure our brick and roof tile networks contributed to the severe fall in earnings.

In Asia, improvements in housing markets in Indonesia, China and South Korea benefited our joint venture plasterboard business, LBGA. LBGA's earnings in US dollars were up 29% before exchange rate impacts, reflecting volume and price increases as well as benefits from cost reductions and growth initiatives. In Australian dollars, Boral's equity accounted profit from LBGA was up 12% to \$18.1 million. Unfortunately, this was offset by a decline in earnings from Boral's construction materials operations in Indonesia and Thailand. Overall, EBITDA from Asia was down 22% to \$16 million. We continue to face challenging market conditions in our Thailand concrete and quarry business and we have written off the \$31.9 million of goodwill which arose on acquisition of the business in July 2004.

A focus on managing well through the downturns

The US business has been very profitable and a strong contributor to Boral's earnings over the years. When market conditions were strong in 2005/06 the business delivered an EBIT profit of A\$186 million compared with a loss of A\$27 million in 2007/08.

No-one enjoys reporting a decline in annual earnings or losses from any business, especially those that have historically delivered substantial returns and have very strong manufacturing and market positions. Whilst the result is disappointing, we have long-term confidence in Boral's US markets and our management who we believe are doing a commendable job of managing the US business through the downturn.

It is well understood within the Company that reducing fixed costs, increasing prices and avoiding a build in inventory levels by matching production with sales volumes are critically important during the downturn. Our plant network optimisation and structured cost reduction programs in bricks and roof

tiles are reducing the adverse impacts of historically low sales volumes.

Management expects that benefits from the step change program in bricks together with Boral's share of benefits from the MonierLifetile step change program will deliver Boral an incremental benefit of US\$31.5 million in 2008/09 on top of the US\$11 million delivered in 2007/08.

Whilst in Australia the housing downturn has been far less severe, it has been a very long and slow downturn that has seen reduced profitability since the peak in 2003/04. Boral's businesses, particularly on the East Coast, have managed the reduced volumes through an ongoing program of plant slowdowns and temporary closures. Our East Coast brick business continues to operate at around 75% of capacity to avoid over-producing bricks, which in past downturns has led to price pressures to move stock. Pleasingly, prices have held or increased through the housing downturn, despite volume pressures.

Shareholder returns

A decline in Boral's share price of 37% during the year reflected the impacts of the broader equities markets coupled with the earnings impact of the USA and New South Wales housing downturns.

Despite cyclical earnings pressures, a full year fully franked dividend of 34.0 cents per share has been maintained for four years. The full year dividend represents a grossed up dividend yield of 7.3% per annum (after franking) on Boral's weighted average share price for the year of \$6.65.

Boral's total shareholder return (TSR) from share price appreciation and dividends was 16% per annum over the eight and a half years from demerger to 30 June 2008, which placed the stock in the second quartile of the ASX 100 companies over the same period. Boral's TSR under-performed in 2007/08 with a TSR of -33% compared with the TSR of the ASX 100 Index over the period of -16%.

“It is well understood within the Company that reducing fixed costs, increasing prices and avoiding a build in inventory levels by matching production with sales volumes are critically important during the downturn.”

Ken Moss, CHAIRMAN

Boral's Board

Dr Bob Every was appointed as a non-executive Director of Boral Limited in September 2007. His appointment was confirmed at the 2007 Annual General Meeting.

Elizabeth Alexander, who joined the Board in 1994, will retire as a Director at this year's Annual General Meeting. Together with the Board, I acknowledge the significant contribution that Elizabeth has made to Boral, including her valued contribution as Chair of the Audit Committee.

At this year's Annual General Meeting, shareholders will be asked to confirm the appointment of a new Director with appropriate financial expertise to replace Elizabeth when she retires.

The Board remains confident in the ability of Boral's CEO and Managing Director, Rod Pearse, to deliver Boral's strategic imperatives. Currently in his ninth year of leading the Company, Rod continues to demonstrate Boral's Values of *leadership, respect, focus, performance and persistence*, which have underpinned Boral's strong and effective workplace culture.

Boral's people

The Board also remains confident in the ability of the Management Committee to deliver Boral's strategy.

The Management Committee has been a stable team of senior executives with considerable experience in Boral. In August 2008, however, Boral's long-serving Company Secretary and General Manager of Corporate Services, Michael Scobie, announced his intention to retire.

Michael, who joined Boral through the BMI acquisition in 1982 and has 35 years of service with both organisations, has contributed a great deal to Boral. On behalf of the Board I thank Michael for his valued contribution.

Margaret Taylor will take over the role of General Counsel and Company Secretary of Boral Limited from November 2008. Margaret joins Boral after 17 years with law firm Minter Ellison in Brisbane,

Sydney and London and almost two years as Regional Counsel Australia/Asia with BHP Billiton.

I thank Boral's management team and all of Boral's employees for their hard work and contribution over the past year.

Corporate governance and remuneration

Boral's Directors support appropriate and transparent corporate governance processes and controls. On page 32 to 37 of Boral's Annual Review, we report on our corporate governance activities in accordance with the Principles of Good Corporate Governance and Best Practice Recommendations of the ASX. The separate Remuneration Report for shareholders as part of the Directors' Report (on pages 42 to 49) provides extensive information on the Company's remuneration structures.

In reviewing the Remuneration Report it is important for shareholders to be mindful that executive remuneration is not driven solely by the level of Company profits. Executives are rewarded for managing their business according to pre-approved objectives, plans and budgets, and sometimes budgeted earnings are lower than previous years due to the cyclical nature of our markets.



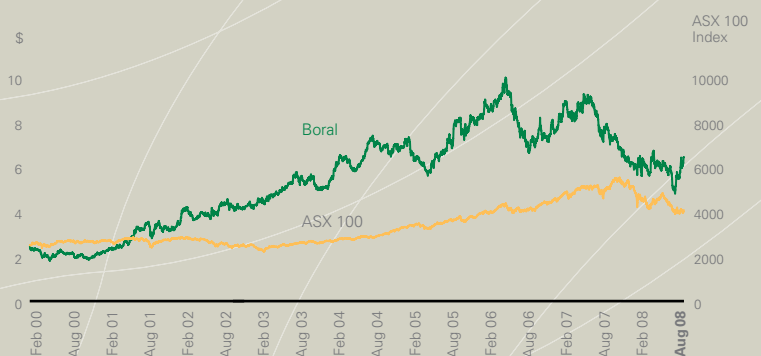
During 2007/08, the Board of Directors spent time meeting with Boral's customers, shareholders, market analysts, managers and employees.

We also spent time visiting Boral's US brick and roof tile operations and Boral's construction materials and plasterboard operations in Brisbane.

Whilst conditions remain challenging in some of Boral's key markets, the Directors believe that the Company is well positioned to deliver long-term shareholder value through the economic cycles. We look forward to a recovery in Boral's key markets which will strengthen Boral's ability to deliver improved returns for shareholders.

Ken Moss
Chairman

Share Price



Managing Director's Review

It's not business as usual at Boral

I am in my ninth year as Boral's CEO and Managing Director and my 14th year with the Company. I have seen Boral perform in good times and in challenging times. In many respects, managing through the challenging times is *business as usual* for a company like Boral that operates in cyclical markets, but 2007/08 was *not business as usual*.

Several extraordinary external factors coincided to create a particularly challenging business environment.

Managing through a "generational" downturn in US housing activity

The dramatic decline in US housing activity is a generational downturn. With dwelling starts some 45% below its peak in 2006 and likely to fall to around half of sustainable underlying demand in 2008/09, the USA has not experienced such a severe decline in housing activity for at least 25 years. This is *not business as usual*.

In 2007/08, total US housing starts were down 27% to 1.13 million compared to 1.55 million starts in the prior year and single family housing starts were down by a more significant 35%.

Boral's USA earnings before interest and tax (EBIT) decreased from a A\$95 million profit to a A\$27 million loss as a result of the dramatic deterioration in the housing market. Significantly lower volumes, increased raw material costs and one-off costs (US\$5 million associated with a specialty brick plant write-down and US\$4 million of costs associated with programs to reconfigure our brick and roof tile plants) contributed to the severe fall in US earnings.

A program of extensive plant slowdowns and mothballing is in place to match production with sales demand to avoid a build up of inventory. Going into the 2008/09 financial year, plant utilisation in concrete roof tiles remains less than 30%, with an average of 27% in 2007/08 compared to 48% in the prior year and around 75% in 2005/06. Brick capacity utilisation is around 40%, down from an average of 56% in 2007/08 and 79% in the previous year. During 2008/09 it is

planned that 10 of our 24 brick kilns in the USA will be mothballed and will not recommence until the market picks up. Only two kilns are expected to operate at capacity and the remaining 12 kilns will be slowed or temporarily closed.

In addition to the plant network optimisation program, we have been implementing a comprehensive cost reduction program. The benefits from these step change programs when fully implemented will be US\$30 million in the brick business and US\$25 million in the MonierLifetile concrete roof tile joint venture, with Boral's 50% share of MonierLifetile benefits being US\$12.5 million. These programs are expected to deliver an incremental benefit for Boral of US\$31.5 million in 2008/09. We are also initiating step changes in our US concrete and quarry businesses, which will bring further benefits in 2008/09 and 2009/10.

Despite the short-term imperative to streamline the business to reduce costs and minimise the impacts of the downturn, we continue to manage the business for the longer term. We have confidence in US markets and we believe that the underlying level of demand over the next 10 years is around 1.8 million starts per annum.

During the year, we commissioned a new US\$55 million brick plant in Terre Haute, Indiana, and a new US\$30 million clay tile plant in Lone, California. These new plants position Boral well when the market recovers. In the meantime, we will operate these low cost plants at high utilisation rates allowing older high cost capacity to be mothballed.

The protracted Australian housing downturn continues to impact, especially in New South Wales

Australian housing approvals of around 155,000 starts per annum are 15% to 20% below underlying demand. The New South Wales market is 40% below underlying demand. New South Wales is Boral's largest state market, and represents around 40% of our Australian revenues. New South Wales is experiencing housing activity at 40 year low levels. This is *not business as usual*

and is having a considerable impact on Boral's earnings.

Whilst activity in Victoria, Queensland and South Australia increased during the year, activity in all Australian states is below underlying demand. Further declines in New South Wales in 2007/08 together with continued weakening in the Western Australian detached housing market impacted Boral's building products and construction materials businesses.

We have been responding to the challenges of the protracted downturn through disciplined price management and a relentless focus on cost reduction programs. Pleasingly, despite volume pressures, EBIT from Building Products was up 15% to \$114 million in 2007/08.

A focus on matching production with sales demand continues. During the year, East Coast brick plant utilisation stayed at around 75%. Since year end, we have closed our Grafton parquetry plant and suspended production at our Walcha timber mill as a result of the continued New South Wales downturn combined with increasing input costs.

Growth investments have been directed to higher growth states including Boral's new low-cost, state-of-the-art plasterboard plant on the Port of Brisbane at Pinkenba, which was commissioned during the year. The new plant involved a net investment of around \$119 million and will supply a growing Queensland market and support broader supply constraints.

Our Perform & Grow strategy is allowing Boral to manage well through the downturn and has positioned the Company to deliver considerable benefits when housing markets recover in New South Wales, and in the USA.

Record levels of demand for concrete in Australia

Whilst concrete volumes in New South Wales are below where they were 10 years ago, concrete demand nationally has increased by around 40% over the same period, with volumes running at record levels in 2007/08.

"The dramatic decline in US housing activity is a 'generational' downturn. Some 45% below its peak in 2006, the USA has not experienced such a severe decline in housing activity for at least 25 years. This is *not business as usual*."

Rod Pearse, CEO AND MANAGING DIRECTOR

Solid levels of infrastructure and non-dwelling activity drove industry concrete volumes up 7%, and underpinned a 10% lift in Boral's Construction Materials EBIT to \$351 million.

Since the demerger of the Company in January 2000, around 45% of Boral's total growth spend of around \$2.3 billion has gone into construction materials businesses in Australia to strengthen our leading positions and meet growing demand. Despite this level of investment, we have been capacity constrained in some markets including cement and quarry capacity in Queensland and quarry capacity in Western Australia. We are continuing to invest further in these businesses, including an \$85 million investment in Boral's 50% owned Sunstate Cement joint venture, to increase clinker storage and cement grinding capacity by 50% to 1.5 million tonnes per annum.

Mixed conditions across Asia

Whilst construction materials demand has been strong in Australia, in Asia we have seen very challenging trading conditions for our concrete and quarry businesses in Indonesia and Thailand. Political uncertainty in Thailand has constrained investment in major project work and an oversupply of cement capacity has led to substantial concrete margin erosion. Significant input cost increases and a lack of pricing power have resulted in a significant price/cost squeeze. In Indonesia, where Boral has operated for more than 30 years, we are seeing some improvements but in Thailand we expect difficult conditions to continue for some time and we have therefore written off the \$31.9 million of goodwill which arose on acquisition of the business in July 2004. Our focus is on delivering improved results through targeted volume growth, cost disciplines and, where possible, price increases. We continue to explore opportunities to build an integrated cementitious position in Asia.

Conditions for our 50%-owned plasterboard joint venture business, LBGA, are far more favourable. A 29% increase in results from LBGA (before

Australian dollars exchange rate impacts) were better than expected, but with declining results from construction materials offsetting some of the gains, overall, Boral's earnings from Asia decreased by A\$5 million to A\$7 million in 2007/08.

In LBGA, price increases and a cost reduction program, *Excellence 2008*, have offset significant input cost increases and have enhanced margins. We continue to strengthen LBGA's leading plasterboard position in Asia through value-adding ongoing growth initiatives. A total of US\$70 million was invested into new plants in Dangjin (Korea), Chengdu (China) and Rajasthan (India) with commissioning of these plants completed in 2007/08. In August 2008, LBGA announced a further US\$48 million investment in Baoshan (China). LBGA is positioned well to take advantage of solid growth in the region of more than 10% per annum in most markets.

Significant energy, fuel and other cost increases

Across our entire portfolio of businesses in Asia, in the USA and in Australia, we have been feeling the impacts of higher input costs including record high energy and fuel prices. Oil prices are highly volatile, so the recent partial correction in prices may or may not indicate a sustained downward trend. We are assuming energy and fuel prices will stay at high levels and we are focused on recovering those costs through price increases and levies.

During the year, our cost base increased by around A\$284 million including higher fuel and energy costs, raw materials and labour costs. This increase represents an average 6.5% increase on our compressible costs, which is higher than any year since demerger.

We are strongly focused on recovering extraordinary cost increases through price increases in Australia. Thus we have announced a second round of price increases for concrete of \$12.50 per cubic metre, for quarry products of \$1 to \$3 per tonne, and for cement of \$15 per tonne, which were effective



August-September 2008. We have also announced price increases in Australia for bricks, roof tiles, plasterboard and timber products to build on 2007/08 price gains. Additionally, fuel levies or energy surcharges have been announced for bricks, roof tiles and masonry products in Australia and in the USA.

Cost savings from Boral's ongoing Performance Enhancement Programs (PEP) totalled \$151 million or 3.4% of compressible costs during the period.

Increased focus on reducing fuel and energy costs is also continuing. In the USA, a comprehensive alternative fuels strategy is underway to reduce reliance on fossil fuels and importantly to reduce costs. Boral's new Terre Haute brick plant is operating on around 80% landfill gas. Overall, 30% of our energy consumption in the US brick business is targeted to be sourced from alternative fuels.

Global credit crisis

A global credit tightening also added to the extraordinary economic headwinds experienced in 2007/08. Diminished liquidity and higher borrowing costs flowed through to corporate Australia.

We have focused on improving cash management, with cash flow from operations up by \$100 million to \$582 million in 2007/08. Stay-in-business capital expenditure was maintained at 70% of depreciation.

In April 2008, we completed the issuance of US\$382 million of 10 and 12 year unsecured notes in the US private placement market. Following year end, in August 2008, we replaced a US\$600 million note issuance facility expiring in August 2009 with a US\$700 million facility expiring in August 2011. These moves have lengthened Boral's debt maturity and increased our

Managing Director's Review continued

committed facilities to ensure adequate liquidity for current activities and potential market opportunities.

Because of Boral's strong cash flows and balance sheet, we were well positioned to undertake value-adding capital management initiatives during the year. In April 2008, we completed an off-market share buy-back of \$114 million, or 3.3% of issued shares, at \$5.65 per share.

Boral's balance sheet remains robust, with gearing (debt/equity) of 52% staying within our target range of 40% to 70%.

Introduction of an Australian emissions trading scheme

In July 2008, the Australian Government issued a Green Paper indicating its preferred options for an emissions trading scheme (ETS), which it has named a Carbon Pollution Reduction Scheme. The introduction of an ETS is *not business as usual*.

We support the introduction of an ETS to reduce greenhouse gas emissions. We are however concerned about the potential unintended economic consequences of a poorly designed scheme, especially on emissions-intensive, trade-exposed (EITE) industries such as the cement industry. It is critical that Australia does not adopt an ETS and an emissions target which will undermine our competitiveness compared to trading partners who have not taken similar initiatives which will serve to drive investment and emissions offshore.

There are many views on how a scheme could be designed to avoid this. The Business Council of Australia in its paper *Modelling Success: Designing an ETS that Works*, has proposed an option for addressing EITE industries. We support the proposal for the provision of full compensation to EITE industries for emissions above a threshold of emission costs of 3%-5% of value-add (profits plus labour). This option still sees EITE industries wearing a significant share of the cost and abatement burden but it provides greater investment certainty and gives industry a better chance to continue to effectively compete with imports and to invest for the future.

Outlook for 2008/09

Many of the extraordinary challenges that we faced in 2007/08 will stay with us in 2008/09.

We expect Australian dwelling starts to be broadly in line with last year at around 155,000 starts but a further decline in housing affordability in 2008 and high interest rates make this quite uncertain. If housing activity holds up, Building Products profits will remain steady, with effective price and cost management offsetting the impact of further softening in Western Australia and the entry of a new competitor into the Western Australian clay brick market.

We anticipate increased non-dwelling and infrastructure activity outside New South Wales which will favourably impact Construction Materials businesses in Australia. The already announced price increases should offset cost increases. We expect earnings from Quarry End Use activities to remain steady at around \$50 million, which will again be weighted heavily to the second half of the year. Construction Materials earnings from Australia should be stronger in 2008/09.

In the USA unsold new and existing house inventories remain at high levels, foreclosure rates have increased and there is uncertainty in credit markets. Market forecasters currently expect US housing starts to be around 900,000 in 2008/09, compared to annualised starts of around 1.0 million in the June half of 2008. Whilst lower volumes will adversely impact brick and roof tile sales volumes and earnings, increased benefits from significant cost reduction and network efficiency programs will be delivered. US construction materials markets are expected to be weaker. Overall, US earnings are expected to be lower in 2008/09.

We expect continued competitive market conditions and input cost pressures in Asia, particularly in construction materials.

We have targeted to deliver operating cost improvements from performance enhancement programs of at least 3% of compressible costs, and benefits from

growth programs will again enhance earnings.

It is too early to comment further on 2008/09 expected financial outcomes. We will provide an update on trading conditions at the Annual General Meeting on 24 October 2008.

Managing the business in a sustainable way

We remain focused on delivering value through the economic cycles. Our overarching objective of delivering superior returns in a sustainable way remains unchanged.

We have maintained momentum around our sustainability agenda despite the external challenges faced in 2007/08. Our current sustainability priorities, goals and performance are detailed in Boral's Sustainability Report, which forms part of this Annual Review.

Safety remains the highest of priorities across Boral. In 2007/08, Boral's safety performance as measured by lost time injury frequency rate (LTIFR) and percent hours lost, continued to improve. LTIFR of 2.5 for the year was an 11% improvement on the prior year, and percent hours lost also reduced by 11% to 0.08. This improved performance was pleasing. It was, however, overshadowed by the death of an employee in South Australia in a heavy vehicle accident in December 2007. We deeply regret this tragic accident and remain focused on eliminating all accidents, particularly serious workplace accidents that could risk the lives of employees and contractors.

I commend the focus and hard work of Boral's management and employees, particularly their commitment and persistence in challenging times.



Rod Pearce
CEO and Managing Director

“Despite the short-term imperative to streamline the business to reduce costs and minimise the impacts of the downturn, we continue to manage the business for the longer term.”

Rod Pearse, CEO AND MANAGING DIRECTOR

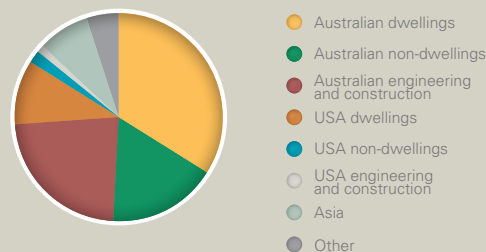
Recent and current major growth activities

Growth project	Current status
New 40 million m ² plasterboard plant in Queensland for net investment of ~\$119 million	Plant operational by end of May 2008. Early commissioning difficulties close to resolution. Completed.
\$21 million total investment in new asphalt plants in Queensland, Victoria and Western Australia	Construction of new asphalt plants at West Burleigh (August 2007) and Ipswich (September 2007) in Queensland, Geelong in Victoria (July 2007) and Welshpool in Western Australia (October 2007). Completed.
US\$84 million acquisition of assets of Schwarz Readymix concrete & sand business and quarry assets of Davis Arbuckle Materials in Oklahoma City	Positions Boral as the second largest concrete producer in Oklahoma City and includes a limestone quarry at Davis, Oklahoma. Combined operations have annual production of ~750,000 cubic yards of ready-mixed concrete and 1.6 million tons of sand and aggregates. Completed.
US\$10 million acquisition of sand and gravel reserves in Denver, Colorado	Reserves well located to supply the Denver market as existing reserves come to the end of their useful lives. Completed.
New US\$55 million, 120 million SBE US brick plant at Terre Haute, Indiana	Commissioning completed June 2008 quarter. This low cost plant will operate at high utilisation rates, reaching full production in FY09. Final spend was around 5% above original plan. Completed.
New US\$30 million, 130k square p.a., clay roof tile plant at Lone, California	Commissioning completed June 2008 quarter. The plant will operate at high capacity utilisation in FY09. Final capital costs were slightly ahead of announced US\$27.5 million expenditure. Completed.
US\$42 million total upgrade of LBGA's Dangjin plasterboard plant, near Seoul, to double capacity to 75 million m ²	Commissioning completed in December 2007 ahead of plan with investment cost below budget. Benefits will flow as the Korean residential market lifts. Completed.
US\$28 million (total) in new LBGA plasterboard plants in Rajasthan, India and Chengdu, China	New plants completed at Rajasthan, India (8 million m ²) in April 2008 and in Chengdu, China (10 million m ²) in June 2008, both ahead of plan with investment costs below budget. Completed.
\$85 million (total) to upgrade cement capacity of Sunstate Cement in Queensland	Expansion of clinker storage and grinding from 1.0 million to 1.5 million tonnes p.a. to meet growing Queensland demand. Completion of clinker storage due in September 2008 quarter and increased grinding capacity by June 2009 quarter.
\$44 million investment in new masonry plant at Middle Swan in Western Australia	New plant will replace high cost, ageing Cannington and Jandakot plants and lift Boral's Western Australia masonry capacity from 90,000 to 170,000 tonnes p.a. Cannington and Jandakot sites will be liberated for sale. Benefits to come shortly after commissioning in the September 2009 quarter.
Strengthening of concrete network in New South Wales (\$14 million) and Queensland (\$5 million)	Rebuilding Artarmon (New South Wales) concrete plant expected to be complete by December 2009. Replacement of Gladstone (Queensland) plant with new, higher capacity plant expected to be complete around June 2009.
US\$48 million (total) in new LBGA plasterboard plant (and land) at Baoshan, Shanghai, China (34 million m ²)	New Baoshan plant expected to be in operation in December 2009 quarter, with 34 million m ² p.a. capacity and flexibility to increase capacity in future.

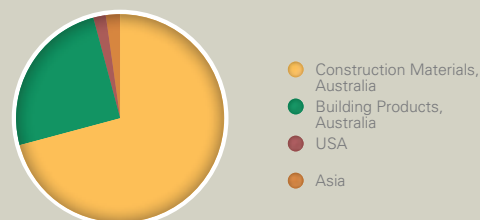
Financial Results

A\$ million unless stated

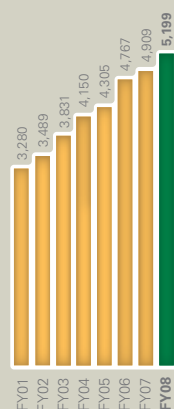
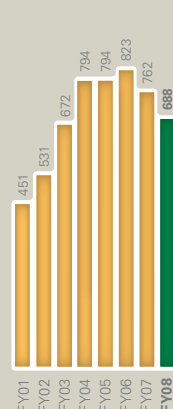
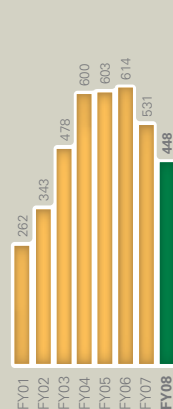
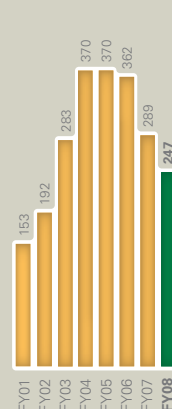
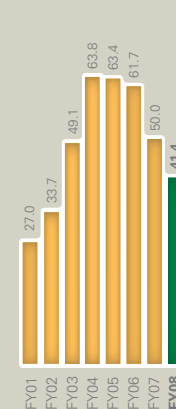
YEAR ENDED 30 JUNE	2008	2007	% CHANGE
Revenue	5,199	4,909	6
EBITDA ¹	688	762	(10)
EBIT ¹	448	531	(16)
Net interest	112	111	1
Profit before tax ¹	336	420	(20)
Tax ¹	90	122	(26)
Minority interest	1	0	
Underlying profit after tax¹	247	298	(17)
Net significant items	4	0	
Profit after tax	243	298	(19)
Cash flow from operating activities	582	482	21
Gross assets	5,895	5,817	1
Funds employed	4,425	4,470	(1)
Liabilities	2,985	2,829	6
Net debt	1,515	1,482	2
Growth and acquisition capital expenditure	327	226	45
Stay-in-business capital expenditure	169	192	(12)
Depreciation	240	231	4
Employees	15,928	16,194	(2)
Sales per employee, \$ million	0.326	0.303	8
Net asset backing, \$ per share	4.96	4.98	
Net tangible asset backing, \$ per share	4.41	4.41	
EBITDA margin on sales ¹ , %	13.2	15.5	(15)
EBIT margin on sales ¹ , %	8.6	10.8	(20)
EBIT return on funds employed ¹ , %	10.1	11.9	(15)
Return on equity ¹ , %	8.5	10.0	(15)
Gearing (net debt/equity), %	52	50	
Interest cover ¹ , times	4.0	4.8	
Underlying earnings per share ¹ , ¢	41.4	50	(17)
Dividend per share, ¢	34.0	34.0	
Safety:			
Lost time injury frequency rate	2.5	2.8	
Recordable injury frequency rate	26.7	27.8	

Share of revenue² by market

EBITDA by segment

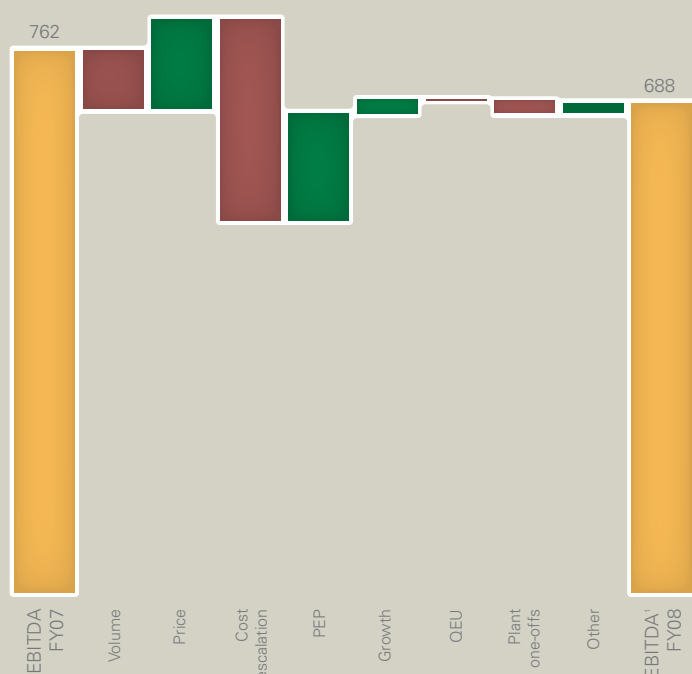


Sales revenue \$m

EBITDA¹ \$mEBIT¹ \$mProfit after tax¹ \$mEarnings per share¹ ¢

Company Announcements

EBITDA variance analysis (\$ million)



Volume

Substantial brick and roof tile housing related volume declines in the US offset overall volume growth in Australian businesses, particularly in quarry products. High levels of non-residential and infrastructure construction activity in all Australian states except New South Wales benefited volumes.

Price

Pricing outcomes in Australia were favourable despite housing activity remaining at low levels. Prices lifted by 3%-7% in cement, concrete and quarry products and 6% in timber, whilst bricks, roofing, masonry and plasterboard prices were up 1%-3%. Despite the severe housing downturn in the US, prices were only down in bricks and concrete roof tiles by 2% and 5% respectively, whilst clay roof tile prices were up 4%.

Costs and PEP

Cost savings of \$151 million were delivered from Performance Enhancement Programs (PEP), equal to 3.4% of compressible costs, however, costs increased by around 6.5%, or \$284 million, due in part to higher input costs in Australian Construction Materials, including raw materials, fuel, equipment and services that are competing with the booming resources sector. Low volume related production network inefficiencies in bricks in the US also impacted the result.

Growth and QEU

Benefits from growth initiatives contributed \$20 million, with the new Oklahoma construction materials business, Kiln 11 at Midland Brick and Union City brick plant being significant contributors. Boral's growth portfolio will be increasingly value-adding as markets recover and grow. Quarry End Use earnings were \$2 million lower than the prior year.

Plant one-offs

Plant slowdown and shutdown costs were around \$18 million, mostly due to extended temporary shutdowns in bricks particularly in the US, in response to lower sales volumes with the severe housing downturn.

19 August 2008

Boral announces an after tax profit of \$243 million for the year ended 30 June 2008, a 19% or \$55 million decrease on the PAT for the year ended 30 June 2007.

15 August 2008

Boral announces that its 50/50 plasterboard joint venture with Lafarge, Lafarge Boral Gypsum Asia (LBGA), intends to invest a total of US\$48 million to build a new plasterboard plant in Baoshan, China.

8 May 2008

Boral announces that due to the deterioration in market conditions in the US and poor weather in the March quarter, it is revising its guidance for its FY2008 result. Boral expects FY2008 PAT to be around the bottom end of analysts forecast range of \$234 million to \$256 million.

16 April 2008

Boral announces the successful completion of an issue of US\$382 million of Senior Unsecured Notes to institutions in the North American Traditional Private Placement market. The Notes are structured in two tranches comprising ten year and twelve year bullet maturities with fixed coupon rates of 7.12% pa and 7.22%, respectively.

7 April 2008

Boral announces the successful completion of its off-market buy-back tender. Boral will purchase 20.0 million, or 3.3%, of its fully paid ordinary shares. The Buy-Back price has been set at \$5.65 per share, which represents a discount of 13% to the Market Price of \$6.4922.

13 February 2008

Boral announces that it intends to buy back approximately \$100 million of its ordinary shares, through an off-market buy-back tender.

Boral announces a profit after tax (PAT) of \$132 million for the half year ended 31 December 2007, a 10% or \$15 million decrease on the PAT for the half year ended 31 December 2006.

Boral announces that it intends to build a new \$33 million concrete masonry plant at its Middle Swan (Midland Brick) site in Western Australia. The new masonry plant will replace Boral's existing 40-year old, high cost, low capacity Cannington plant more than doubling that sites' current output. [A subsequent announcement on 19 August 2008 as part of Boral's full year results announcement upgraded this project to a \$44 million masonry plant, which will also allow the older, high cost capacity at Jandakot to close.]

21 December 2007

Boral announces that it has entered transactions with DB RREEF for a total price of \$157.7 million for the sale of a 47.5 hectare parcel of land which forms approximately 66% or Boral's Greystanes Estate – Southern Employment Lands.

10 September 2007

Boral Chairman Ken Moss announces that Mark Rayner will retire as a non-executive Director of Boral Limited.

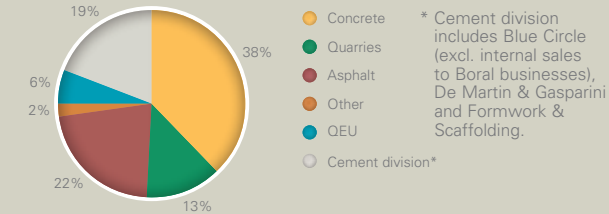
Boral Chairman Ken Moss announced the appointment of Dr Bob Every as a non-executive Director of Boral Limited.

¹ Excluding goodwill and tax provision adjustments. FY05 results onwards restated to reflect transition to A-IFRS accounting standards.

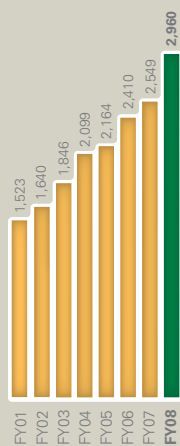
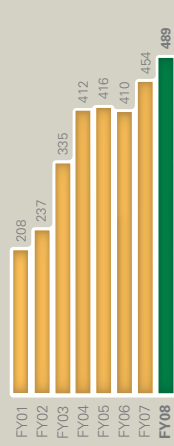
² Includes Boral's share of revenues from Asia Plasterboard and MonierLifetile joint ventures.

Construction Materials, Australia

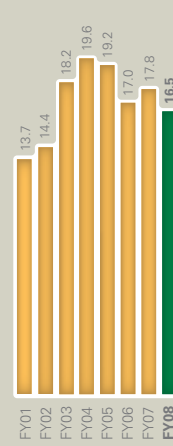
Share of external revenue



Revenue \$m

EBITDA¹ \$m

EBITDA/Revenue %



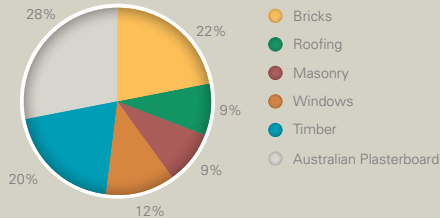
year ended 30 June	2008	2007	% change
<i>A\$ million unless stated</i>			
Sales revenue	2,960	2,549	16
EBITDA	489	454	8
EBIT	351	318	10
Capital expenditure ³	180	169	6
Funds employed ³	2,310	2,271	2
EBITDA return on sales, %	16.5	17.8	
EBIT return on sales, %	11.9	12.5	
EBIT return on funds employed, %	15.2	14.0	
Employees, number	5,798	5,838	(1)
Revenue per employee	0.511	0.437	17

Performance

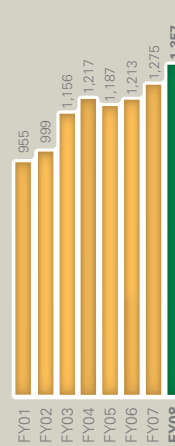
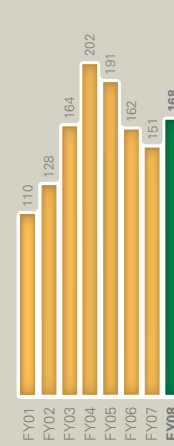
- Stronger asphalt, quarries, cement and lime volumes were underpinned by high levels of non-dwellings and infrastructure major project activity in all states except New South Wales.
- Improvements in concrete, quarries and cement pricing together with \$88 million of PEP cost reductions contributed to the result.
- EBITDA margin of 16.5% was down due to higher input costs.
- Quarry End Use (QEU) contributed \$54 million of EBIT (\$56 million in prior year).

Building Products, Australia

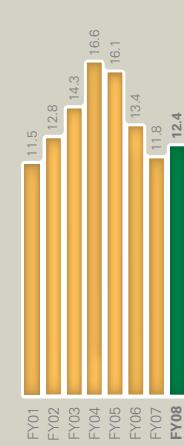
Share of external revenue



Revenue \$m

EBITDA¹ \$m

EBITDA/Revenue %



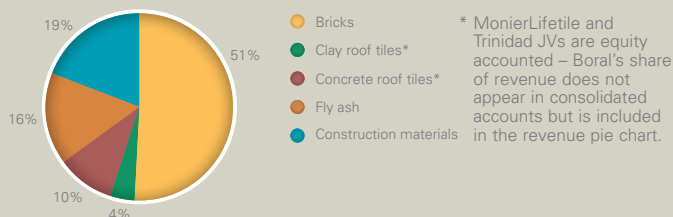
year ended 30 June	2008	2007	% change
<i>A\$ million unless stated</i>			
Sales revenue	1,357	1,275	6
EBITDA	168	151	11
EBIT	114	99	15
Capital expenditure ³	125	127	(1)
Funds employed ³	1,178	1,114	6
EBITDA return on sales, %	12.4	11.8	
EBIT return on sales, %	8.4	7.8	
EBIT return on funds employed, %	9.7	8.9	
Employees, number	4,080	4,107	(1)
Revenue per employee	0.333	0.311	7

Performance

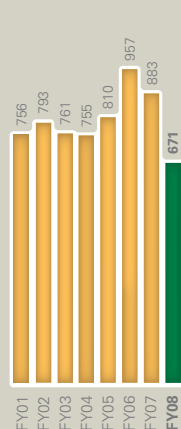
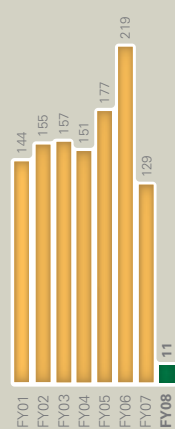
- Whilst New South Wales housing activity remains very weak, a lift in activity in Queensland and South Australia offset weaker housing starts in Western Australia.
- Stronger pricing outcomes were reported across all building products and \$29 million of PEP cost reduction were delivered.
- Earnings increased in most businesses except bricks due to lower volumes in Western Australia and temporary plant closures.

USA

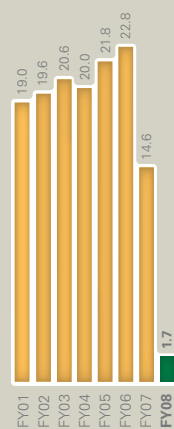
Share of external revenue



Revenue \$m

EBITDA¹ \$m

EBITDA/Revenue %



year ended 30 June	2008	2007	% change
<i>US\$ million</i>			
Sales revenue	607	699	(13)
EBITDA	10	102	(90)
EBIT	(25)	75	(133)
<i>A\$ million</i>			
Sales revenue	671	883	(24)
EBITDA	11	129	(91)
EBIT	(27)	95	(129)
Capital expenditure ³	180	100	(81)
Funds employed ³	789	813	(3)
EBITDA return on sales, %	1.7	14.6	
EBIT return on sales, %	(4.0)	10.7	
EBIT return on funds employed, %	(3.4)	11.6	
Employees, number	2,208	2,503	(12)
Revenue per employee	0.304	0.353	(14)

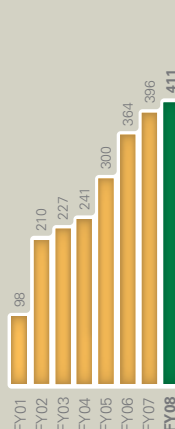
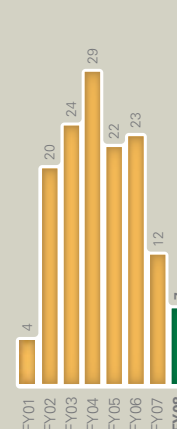
Performance

- US housing starts were down 27% to 1.13m compared to 1.55 million starts in FY07 and over 2.0 million starts in FY06.
- Lower volumes, increased raw material costs, and one-off costs to reconfigure production networks contributed to the severe fall in earnings.
- Prices held despite volume pressures.
- US\$24 million of PEP and other cost savings were delivered. Significant cost reduction initiatives continue to be implemented.
- Oklahoma construction materials acquisition favourably impacted the result.

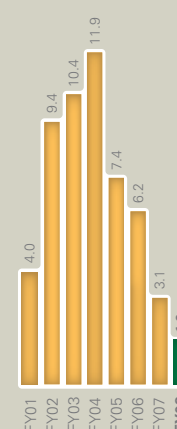
Asia

Includes Boral's Asian plasterboard joint venture with Lafarge² and Boral's Indonesian and Thailand construction materials businesses.

Revenue \$m

EBIT¹ \$m

EBIT/Revenue %



year ended 30 June	2008	2007	% change
<i>A\$ million unless stated</i>			
Sales revenue	191	183	5
EBITDA ⁴	16	21	(22)
EBIT ⁴	7	12	(45)
Funds employed ³	285	376	
Return on funds employed, %	2.3	3.2	

Performance

- The Boral/Lafarge Asian plasterboard JV, LBGA, contributed an equity accounted profit after tax of \$18.1 million, which was 12% above the prior year.
- Before exchange rate impact the LBGA result was up 29% year on year in US dollars, reflecting continued improvement in market conditions in a number of key plasterboard markets together with price lifts, cost reductions and growth benefits.
- Construction Materials results were significantly down. In Indonesia, volumes were up but prices were flat and costs increased significantly. In Thailand, volumes were down by 1% and prices were down at the same time as cement and diesel costs continued to increase.
- With conditions remaining difficult in Thailand the \$31.9 million of goodwill which arose on acquisition of the business in July 2004 was written off during the year.

¹ EBITDA and EBIT results from FY05 onwards have been adjusted for A-IFRS.

² Boral's profits from LBGA are equity accounted and are after financing and tax. Boral's share of revenue from the LBGA joint venture do not appear in consolidated accounts, however, Boral's share of LBGA revenues is included in the revenue bar chart for Asia from FY01 onwards.

³ Capital expenditure and funds employed include acquisitions.

⁴ The Asia result excludes the \$31.9 million write-off of Thailand goodwill in FY08.



REVIEW OF OPERATING DIVISIONS

Australian Construction Materials

In 2007/08 sales from Australian Construction Materials were around 16% higher than the prior year. Performance was underpinned by strong trading conditions including strong non-dwelling and infrastructure activity, particularly in the resource rich states of Queensland, South Australia and Western Australia, and from our participation in Melbourne's EastLink project. Robust market conditions in these states, together with effective price management and disciplined cost reduction programs, more than offset weaker market conditions in New South Wales.

Boral's concrete volumes were 3% higher than last year. This was due largely to our participation in infrastructure activity and was despite the ongoing difficult trading conditions in New South Wales where detached dwelling construction activity remains at 40 year low levels. Strong pricing outcomes were achieved during the year, largely off-setting higher production and cartage costs.

Asphalt performed very strongly during the year with higher volumes underpinning a 26% lift in revenue. The improved result was driven by high levels of infrastructure activity such as

the EastLink project in Melbourne and highway upgrades in Brisbane, together with a favourable product mix. Margins remained at historically high levels despite bitumen cost escalation.

Quarry volumes were 10% higher than last year due to concrete and asphalt pull-through and participation in a number of infrastructure projects. Capacity constraints affected our businesses in Queensland, Victoria and Western Australia, leading to increased cost pressures from higher incremental costs from mobile plant and equipment hire, additional labour and campaign crushing. High fuel costs also impacted costs. These cost pressures were largely offset by price increases and cost reduction initiatives.

Boral's Quarry End Use (QEU) business contributed \$54 million of EBIT. This year, QEU earnings came from the George's Fair (Moorebank), Nelson's Ridge (Greystanes) and Southern Employment Land (Greystanes) developments, the sale of land at a number of locations including Gillman (South Australia) and from the Deer Park Western Landfill operation.

Outlook

We anticipate that high levels of non-dwelling and infrastructure activity will continue to favourably impact ACM during 2008/09. Concrete and quarry price increases that were announced effective 1 April 2008 will continue to flow through in 2008/09, augmented by additional increases of \$12.50 per cubic metre for concrete and \$1-\$3 per tonne for quarry products, which were announced effective 1 August 2008. QEU forecast earnings of around \$50 million will again be weighted heavily to the second half of 2008/09.

The Australian Construction Materials (ACM) division employs around 4,600 employees and 1,600 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 240 premix concrete plants produces a wide range of mixes in metropolitan and country areas. Boral is the largest national precast concrete provider through its investments in GoCrete in Perth and Giroto Precast operating in key markets on the East Coast.

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.

Transport

The company-owned fleet totals around 400 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 300 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.

“Across our construction materials businesses we have been facing acute cost pressures that threaten to erode margins and profitability. Strong commodity prices (particularly steel and diesel) have hurt us. We compete with resources companies for people and other inputs and this has also added to the cost pressures. We have had to work very hard to recover the extraordinary cost increases and we have been doing that through focused cost reduction programs and by announcing out of the ordinary price increases to the market.”

John Douglas, EXECUTIVE GENERAL MANAGER



Large scale infrastructure projects have been a key source of revenue for ACM, with growth in this segment forecast to continue. Major projects for which Boral is currently supplying include the Gateway Bridge in Brisbane, the Deer Park Bypass in Melbourne, the Sturt Highway in South Australia, the Hume Highway upgrade between NSW and Victoria, and the F3 upgrade in NSW. ACM has significant capacity and capability to meet the demands of such projects, as demonstrated by our successful participation in the EastLink motorway project in Melbourne.

Boral has successfully secured the leading industry position in South East Queensland with the largest consented reserves and best quarry network. Work over recent years on our quarry resource positions in Queensland has yielded eight resource extensions or greenfield sites in addition to four long-term extractive leases. In 2007, ACM obtained development approvals to convert un-consented resources to consented resources at four sites.



Darwin

Perth

Adelaide

Brisbane

Sydney

Canberra

Melbourne

Hobart

- ▼ ASPHALT
- CONCRETE
- QUARRIES
- ◆ TRANSPORT

Boral's Concrete Panels business is the largest national precast concrete provider in Australia. Giroto Precast supplies the major East Coast centres while GoCrete supplies the Perth market. An automated plant was commissioned for our GoCrete precast operations during the year, an example of our commitment to employ the latest technology to grow this business.

ACM has benefited from the mining "boom" as our large project capabilities make us an ideal partner in the development of new mines. ACM is supplying construction material for the development of the Boddington Gold Mine in Western Australia, the Oxiana Prominent Hill mine in South Australia and the Cadia Mine in New South Wales. Our mobile and relocatable equipment, as well as our transport capabilities, make us a valuable partner to the resources industry in the development of mines and infrastructure.





REVIEW OF OPERATING DIVISIONS

Cement

Blue Circle Cement volumes were up 6% on last year, underpinned by a substantial lift in Queensland and steady but strong volumes in Victoria. In New South Wales, core cement volumes were up marginally but the New South Wales business benefited from increased wholesale and interstate sales. Average cement prices were 3% higher than the prior year.

Lime volumes improved by 32%, primarily driven by increased usage intensity by the steel sector and lime prices were 9% higher.

Blue Circle's EBITDA improved due principally to increased volumes and prices as well as improved kiln operating levels. In the prior year (July 2006), there was a trunion failure at Berrima resulting in a three week outage and costing around \$5 million.

Formwork & Scaffolding experienced stronger volumes during the period, however, the business was impacted by pricing pressure and one-off costs resulting from branch rationalisation and stock write-downs. The national branch rationalisation project, which has reshaped the business, saw branch numbers reduce from 28 to 17 branches

during the year. The scale efficiencies that are expected from this program are necessary because of lower prices driven by low cost imports predominantly from China. Scaffolding utilisation increased during the period. EBITDA was lower.

De Martin & Gasparini reported higher revenues and relatively steady margins.

EBITDA from Dowell Windows was up on last year due to higher prices, ongoing tight cost controls and stronger volumes. Revenues increased with stronger sales in South Australia and Victoria in particular.

Construction Materials results in Asia were significantly down for the period. Whilst concrete volumes in Indonesia increased by 30%, including market share recovery, prices were flat in an environment where costs increased significantly, particularly diesel and cement. At the end of the year, concrete prices in Indonesia increased significantly, resulting in an improved level of margins and profitability.

Thailand concrete volumes were slightly down, with market share maintained, however, political uncertainty continued to impact large infrastructure projects

specifically and construction generally. Margin squeeze was experienced as prices reduced at the same time as cement and diesel costs continued to increase. In Thailand, we expect difficult conditions to continue for some time. During 2007/08 we wrote off the \$31.9 million of goodwill which arose on acquisition of the business in July 2004.

Outlook

Cement demand in Australia should remain well supported in 2008/09 by expected continued strength in non-dwellings and infrastructure activity outside of New South Wales. Global cement production costs have increased sharply, particularly coal and other energy costs, which has resulted in a higher import parity price, despite the appreciation of the Australian dollar. This has provided headroom for an increase in cement prices in Australia. Price increases ranging from \$10 to \$15 per tonne were implemented on 1 September 2008. Trading conditions are expected to remain challenging in Asia.

The division operates across 142 operating sites in Australia, Indonesia and Thailand and employs approximately 5,500 people (with around 3,500 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.

Boral Limited Annual Review 2008

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.

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 17 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 including Dowell Windows. The business operates nationally through 14 window fabrication businesses focusing on supplying the residential builder market.

Indonesian Construction Materials

PT Jaya Readymix is the largest producer of premixed concrete in Indonesia, operating on 39 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

This business is one of Thailand's leading concrete and quarry businesses and operates around 53 concrete batch plants and quarries throughout the country.

“The most important challenge for us is to ensure the long-term sustainability of the cement industry in Australia. Cement is emissions-intensive and trade-exposed, and the introduction of an emissions trading scheme is a significant event. A well designed scheme should preserve Australia’s competitiveness, avoid carbon leakage and motivate actions to further reduce emissions.”

Phil Jobe, EXECUTIVE GENERAL MANAGER



Jayamix, a Boral subsidiary, the leading premix concrete company in Indonesia, has strongly improved health and safety performance during 2007/08 winning the Boral Award for Excellence in People Practices. The implementation of Boral’s hazard identification and safety management software system “SiteSafe” in Asia as well as the development and acceptance of detailed “Traffic Light” and other plant safety performance monitoring metrics has significantly reduced the number of lost time injuries from 6 to just 1 in 2007/08. The LTIFR has been reduced by 74% and % hours lost reduced by 42% on last year.

The \$85 million (total investment) upgrade of the cement capacity of Boral’s joint venture Sunstate Cement business in Queensland is underway and is expected to continue through to June 2009. The project will see clinker grinding capacity lift by 50% to 1.5 million tonnes p.a together with additional clinker, cement and fly ash storage capacity to meet growth in market demand in Queensland.

De Martin & Gasparini in conjunction with Boral Formwork & Scaffolding are building the new car park at the Sydney International Airport for the Sydney Airports Corporation. This project is an excellent example of collaboration across the division, with the structure of the carpark built by De Martin & Gasparini and formwork provided by Boral

Blue Circle is working with batch plants being used for road base paving, providing additional onsite cement and flyash storage to road projects such as the Coolac Bypass project, a 16km dual carriageway being constructed by Abigroup. Blue Circle has supplied 180k tonne of cement and flyash providing 1,300 tonne/day during peak demand for road projects in NSW. Work on these projects is expected to continue throughout 2008/09.





REVIEW OF OPERATING DIVISIONS

Clay & Concrete Products

Demand for Clay & Concrete Products is primarily driven by Australian dwelling construction, particularly detached housing. Again this year, market conditions varied widely between different states. Total Australian dwelling approvals were up 4% on the prior year, with detached housing starts up 3%. However, the division's two largest markets were both down with Western Australia down 13% and New South Wales down 1% to 40 year low levels.

Detached dwelling activity in Queensland, Victoria and South Australia were all up, which helped to offset the decline in Western Australia. Dwelling starts were around 155,000 starts in 2007/08, well below underlying demand levels of around 185,000 starts per annum.

Revenues were up 3% on the prior year, driven by a combination of higher selling prices but lower volumes. Due to these lower volumes, earnings for the division were slightly down on the prior year.

Sales volumes reflected the differing regional market conditions, with volumes above prior year in all states except Western Australia. Brick volumes were down 2%-3% nationally as declining conditions in Western Australia offset improvements in all other states. Roof

tile volumes were up 9% nationally driven by increases in all states except New South Wales. Masonry volumes were up 1% with declines in New South Wales and Victoria offset by increases in other states. Pricing outcomes were positive across all businesses. Average prices improved by around 3% in Bricks, 1%-2% in Roof Tiles, and by 2% in Masonry. Market shares were broadly stable throughout the year.

To match production levels to the weak market conditions a series of plant slowdowns and/or extended temporary shutdowns continued across the East Coast. Most clay manufacturing plants had extended shuts and multiple concrete products plants operated on reduced shifts. Manufacturing performance was favourable across the businesses when compared to the prior year except in Western Australia. Western Australia was adversely impacted by market driven lower production volumes and unscheduled production interruptions as a result of a clay shed fire and electricity supply interruptions resulting from the Varanus Island gas fire. In Roofing, benefits arose from the Springvale (Victoria) and Carole Park (Queensland) concrete tile plants which have both been upgraded in recent years.

Major business improvement programs continued to deliver in line with

expectations in the East Coast Bricks, Roofing and Masonry businesses.

Outlook

We expect 2008/09 dwelling commencements in Australia to be similar to the forecast level of around 155,000 for 2007/08. Earnings are expected to decline in 2008/09, driven by further softening in Western Australia residential dwelling activity and the entry of a new competitor into the Western Australian clay brick market. Effective price and cost management will provide some offset to this decline. Fuel price levies, effective 1 October 2008, have been announced for brick, roof tiles and masonry products and price increases have also been announced in bricks and roofing which will benefit the 2008/09 result.

Clay & Concrete Products has 43 Australian locations including 23 operating sites, and employs around 1,800 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 is also an exporter of clay products to New Zealand, Japan and, increasingly, other Asian countries.

Bricks East comprises eight 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. We operate four concrete roof tile plants in the cities of Brisbane, Sydney, Melbourne and Adelaide and one clay roof tile plant at Wye, on the New South Wales Central Coast.

Masonry

Boral is the leading 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.

“Our businesses are fairly heavily exposed to the Australian housing market, which is continuing to track well below underlying demand levels. On the East Coast, we have been running our plants at sub-optimal levels for the past three or four years, in an effort to match production to sales volumes. We are using performance enhancement programs and price management to try to offset some of the lost profitability that comes with low volumes in a high fixed cost business.”

Keith Mitchelhill, EXECUTIVE GENERAL MANAGER



Several new product releases and an overall lift in the fashionability of the division's product range has assisted in improving the relative positioning of Boral's product range against competitor offerings.



During FY09, construction of a new \$44 million large format concrete masonry plant at Middle Swan, Western Australia will commence. When commissioned, the new operation will replace ageing plant at Cannington, remove existing production capacity constraints and facilitate exit from both the Cannington and Jandakot production sites, releasing them for redevelopment. The new plant will manufacture a wide range of walling and landscaping products at lower costs. It will also deliver a wide range of improved environmental and safety outcomes.

Commissioning of a \$6 million upgrade of the ageing Springvale concrete tile plant in Victoria delivered improved quality and lower costs and removed previous capacity constraints.



- BRICKS
- ▼ ROOFTILES
- MASONRY
- CLAY & CONCRETE DISTRIBUTION



REVIEW OF OPERATING DIVISIONS

Timber

Whilst market activity levels remain low, Timber's revenues increased by 11% to \$273 million during the year, driven primarily by price rises and stronger demand for structural timber products in Queensland, formwork demand from the buoyant Australian concrete market, and an increase in flooring demand in the alterations and additions (A&A) market, particularly in the first half of the year.

Overall, Timber product prices improved 6% on average as a result of price increases and a favourable product mix. Increased log costs and wage escalation pressures were more than offset by price increases, including an improvement in residue prices and manufacturing efficiency gains at Herons Creek and at the engineered flooring operation at Murwillumbah. This resulted in Timber delivering a significant improvement in EBITDA compared with the prior year, driven primarily by improved softwood and hardwood prices, manufacturing costs and increased sales volumes.

Manufacturing performance continues to improve following the capacity investments during the year at the Oberon Softwood mill and the upgrade

at Herons Creek completed in the prior year. The engineered flooring operation also showed significant improvement during the year through improved plant efficiency. However, due to the overall market softness, inventory levels of hardwood and engineered flooring increased during the year. With demand in the New South Wales A&A market weakening in the second half of the year following interest rate rises, cost reduction was the focus.

In July and August 2008, Boral Timber ceased production at the higher cost South Grafton and Walcha hardwood mills due to the weak market conditions experienced in New South Wales and higher input costs.

Outlook

Demand for softwood and hardwood timber products is expected to remain relatively steady in 2008/09 with activity in New South Wales remaining depressed and a softening in Queensland volumes offset by a lift in Victoria. Supply of Australian hardwood and softwood timber products is expected to remain constrained in the year, providing a

favourable pricing environment, which is helpful in recovering higher cost inputs. PEP cost reduction initiatives and inventory reduction will be a major area of focus for 2008/09.

The Timber division employs around 800 people in its hardwood, softwood and plywood operations, located on the East Coast of Australia. Timber operates 17 manufacturing sites and six 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. 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 m³ following a recent capital upgrade. The mill has successfully produced to full capacity in the last quarter of FY08. 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.

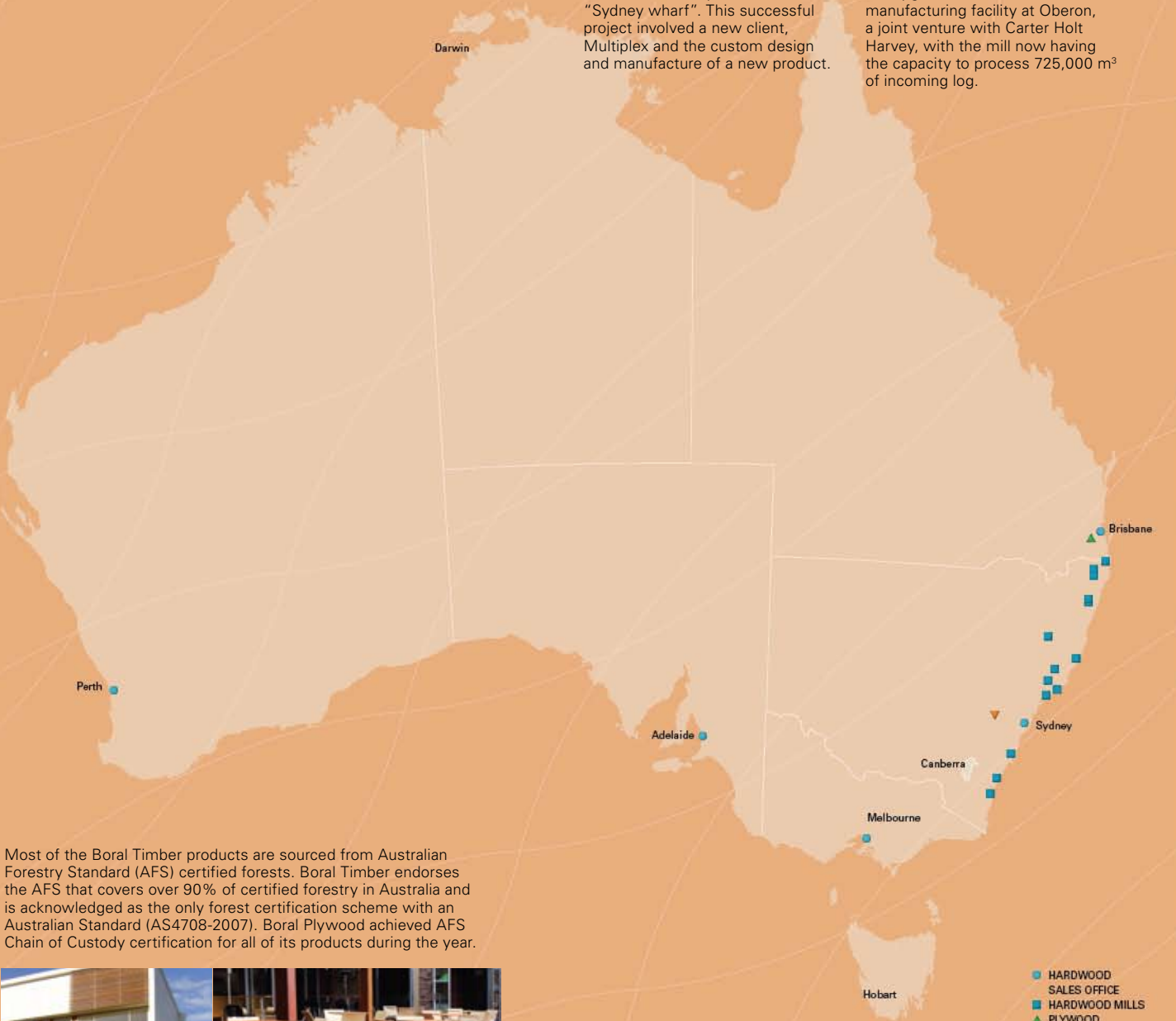
“Our Timber business is primarily New South Wales-based and is heavily reliant on the housing sector. Because of the long and deep downturn in New South Wales housing, we have worked hard to develop new products, increase interstate sales, reduce manufacturing costs and increase prices to recover cost increases. The greatest challenge in doing this has been the dramatic increase in wood fibre and extraction costs. In some parts of our business, we have seen wood supply costs increase by over 10% during the year, with product prices tracking below this level.”

Bryan Tisher, EXECUTIVE GENERAL MANAGER



Boral Timber won the tender to provide flooring to the prestigious residential development the “Sydney wharf”. This successful project involved a new client, Multiplex and the custom design and manufacture of a new product.

Manufacturing performance continues to improve following the upgrade of Boral’s softwood manufacturing facility at Oberon, a joint venture with Carter Holt Harvey, with the mill now having the capacity to process 725,000 m³ of incoming log.



Most of the Boral Timber products are sourced from Australian Forestry Standard (AFS) certified forests. Boral Timber endorses the AFS that covers over 90% of certified forestry in Australia and is acknowledged as the only forest certification scheme with an Australian Standard (AS4708-2007). Boral Plywood achieved AFS Chain of Custody certification for all of its products during the year.





REVIEW OF OPERATING DIVISIONS

Plasterboard

Despite continued weakness in New South Wales, Australian demand for plasterboard grew by around 2%-3% in the year, reflecting stronger new house construction in Queensland. Sales revenue from the Australian business was up 7% to \$376 million, assisted by a 2% lift in average plasterboard selling prices and stronger volumes of plasterboard, cornice and jointing compounds which we manufacture. More sales of non-manufactured products bought for resale through our extensive network of company, owned and operated specialised trade stores also helped.

EBITDA for the year was steady despite stronger sales revenues. A net \$3 million restructuring gain in the half year to December 2007 was offset by one-off costs in the half year to June 2008 associated with the commissioning of our new plasterboard plant in Brisbane and transitioning production from the existing plant. Cost reduction initiatives helped to maintain underlying margins in the face of inflationary cost pressures, particularly in energy and labour.

Construction of our new plant in the Brisbane suburb of Pinkenba was completed during the year at a net expected investment cost of up to \$119 million, 12% above the net \$106 million as budgeted. Commissioning was completed at the end of May 2008

which allowed our existing plasterboard line at Northgate to close during June 2008 and our mothballed plant in the Adelaide suburb of Gillman to be taken out of service permanently and the land sold.

In July 2007, GRA, our gypsum supply joint venture with CSR, was restructured and our share of its shipping duty outsourced to CSL Australia Pty Ltd. CSL is building a new self-unloading vessel in China to help service this work and which is expected to be trading on the Australian coast as an Australian licensed vessel by the end of September 2008.

Our Asian Plasterboard JV with Lafarge, LBGA, recorded an equity accounted after tax profit of \$18.1 million, 12% above the same period last year and after a \$2.5 million adverse impact due to the appreciation of the Australian dollar. Underlying US dollar profits in LBGA were up 29% year-on-year. LBGA sales volumes and revenues lifted in all markets with improved market conditions in South Korea, Thailand, Indonesia and East China and market development activity assisting growth in the Central West of China and in Vietnam. LBGA's cost improvement program, *Excellence 2008*, resulted in enhanced margins despite transport and energy cost pressures. The doubling of capacity to 75 million m² p.a. at the Dangjin plant in Seoul, and commissioning of the

new 8 million m² p.a. capacity plant in Rajasthan, India and the new 10 million m² p.a. capacity plant in Chengdu, China were all completed within time and cost budgets during the year.

Outlook

A cyclical uplift in building construction is expected to favourably impact on future plasterboard demand, particularly in Queensland and New South Wales. However, uncertainty in relation to affordability continues to work against any early timing of such uplifts, despite low rental vacancies. The competitiveness of plasterboard imports into Australia from Asia looks to have been impacted by rising energy and freight costs there whilst our product range and segment tailored channels to market look to position us well to meet any future threat. Market conditions in Korea, Thailand and China are expected to remain competitive over the next year. However, strong underlying plasterboard demand is expected to underpin longer-term Asian returns.

The Plasterboard division is an integrated plasterboard manufacturing, distribution and installation business with 54 company-owned distribution and operating sites around Australia and employing around 650 people.

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 54 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.

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 368 million m² 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.

“Delivering on growth investments in growth markets is our current priority. We have finished commissioning our new plasterboard plant in Queensland and the work-up phase is going very well. The Queensland housing market, however, was a bit softer towards the end of 2007/08, which could create volume pressures in the shorter term. In Asia, we are very happy with our growth investments and the improved performance of the business.”

Ross Batstone, EXECUTIVE GENERAL MANAGER



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 m² 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.

The construction of the new Queensland plasterboard plant has been completed. This 40 million m² p.a. plant is adjacent to the river in the suburb of Pinkenba and is Australia's largest. Its gypsum feedstock is taken directly from ship by conveyor to plant so as to reduce costs and to take trucks from the roads. The process technology utilised is expected to deliver enhanced energy efficiency. The plant uses harvested roof water for part of its process water needs and can use recycled water when available.



Our Plasterboard business continues to benefit from product research and development activities. A robust innovation process coupled with a strong project management framework continues the tradition of successful delivery of new products and systems such as BoxCote™ and IntRwall™. Our focus on lightweight, sustainable interior building systems aims to ensure that evolving market needs will be fully met.



- PLASTERBOARD (PRODUCTION)
- PLASTERBOARD (DISTRIBUTION)
- ▲ GYPSUM MINE



REVIEW OF OPERATING DIVISIONS

USA

In the USA, EBITDA earnings decreased by 90% on the prior year to US\$10 million. The result was driven by the continued significant deterioration in housing activity, with US housing starts down 27% to 1.13 million.

Lower volumes, increased material costs, and one-off costs (US\$4 million) associated with programs to reconfigure Boral's brick and roof tile production network contributed to the severe fall in earnings, particularly in the second half. Cost reduction initiatives including network optimisation aimed at reducing fixed costs, continue to be implemented in the brick and roof tile businesses, with an expected incremental benefit of US\$31.5 million in 2008/09.

Revenue from Bricks was down by 28% due to a 27% decline in sales volumes. Average brick prices reduced by 2% due to a less favourable regional and product mix, otherwise prices remained stable. Boral bricks sold through direct distribution remain at approximately 80% of total volumes. Brick plant utilisation averaged 56%, down from 79% last year. EBITDA was significantly down as a result of low volumes and related production inefficiencies, as well as one-off costs of US\$2.5 million to reconfigure the brick plant network and a US\$5 million write-down of specialised plant used to manufacture product for the high end market. The strong cost reduction focus is continuing in 2008/09, with targeted incremental benefits of US\$24 million.

MLT reported a loss of US\$21 million compared to a US\$4 million loss last year. Whilst average concrete roof tile prices for the year were down 5%, June 2008 prices were up 7% year-on-year. Sales volumes were down by 42%. The decline in single family housing starts in MLT's four key markets averaged 48% on the prior year (73% from the peak in 2005). Unit production costs increased due to production inefficiencies, with plant utilisation down to 27% compared to 48% in the prior year and around 75% in 2005/06.

Revenue of US\$25 million from Clay Roof Tiles was down 8% on last year because of lower volumes more than offsetting a 4% increase in average selling prices. Volumes were 11% lower as the overbuilt western US and Florida markets were further impacted by the tight US credit market and high levels of foreclosures. EBITDA was well below last year as costs were impacted by lower production to avoid inventory build.

Profit from BMTI was lower than last year. Higher prices and new product initiatives did not offset lower volumes resulting from the loss of the Belews Creek contract in December 2006 and because of continued very weak residential construction in Florida and Georgia.

Revenue from the US Concrete & Quarry businesses (Denver and Oklahoma) of US\$125 million was 61% up on the prior year primarily due to the newly acquired Oklahoma operations in August 2007; EBITDA increased. In Denver, concrete

volumes were 10% lower than last year as commercial and infrastructure sales only partially offset the impact of a weak residential market and poor weather conditions. Price increases and cost controls offset higher fuel and other inflationary cost impacts. EBITDA in Denver was down year-on-year. Integration of the Oklahoma business is complete, however, performance was below expectations because of energy related cost increases and lower than expected volumes due in part to poor weather.

Outlook

It remains unclear when a turnaround in US housing activity may occur. Market forecasters currently expect US housing starts to be around 900,000 in 2008/09 compared to annualised starts of around 1.0 million in the June half 2008. Brick utilisation is around 40% at the start of 2008/09 and in concrete roof tiles it remains at around 27%. Lower volumes will adversely impact brick and roof tile sales volumes and earnings but increased benefits from cost reduction programs will be delivered, including efficiencies from the reconfiguration of Boral's brick plant network. US construction materials markets are expected to be weaker in 2008/09 compared with 2007/08. Overall, US earnings are expected to be lower in 2008/09.

Boral is well positioned in the markets it serves with low cost, modern manufacturing facilities, and will deliver benefits as markets recover.

Boral employs around 2,200 people at 160 sites across the USA.

Bricks

Boral Bricks operates 24 plants across 15 locations in eight 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 14 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.

Fly Ash

Boral Material Technologies Inc. (BMTI), one of the largest marketers and distributors of coal combustion products in the USA, has around 40 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, 109 trucks, 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. The business has 18 concrete plants, four sand mines and a limestone quarry.

“2007/08 has been the most difficult year for Boral’s US businesses since it began trading in the US some 30 years ago. Demand from the housing market has halved over the past two years and in some markets, activity has reduced by as much as 75% from 2006 peak levels. We have dramatically reduced our workforce, mothballed plants, and optimised plant networks. We have been relentless around reducing overhead and other fixed costs to minimise the impacts on Boral’s overall profitability during the US downturn.”

Emery Severin, EXECUTIVE GENERAL MANAGER



US\$10 million acquisition of sand and gravel reserves in Denver, Colorado are very well located to supply the Denver market as existing reserves come to the end of their useful lives.

In August 2007, Boral acquired the concrete and sand assets of Schwarz Readymix and the quarry assets of Davis Arbuckle Materials for US\$84 million. This acquisition positions Boral as the second largest concrete producer in Oklahoma City and demonstrates Boral’s ongoing commitment to growing in construction materials in the USA.



US Tile’s new US\$30 million clay roof tile plant in Lone, California was commissioned during the year with an output of 130,000 squares¹ per annum. Whilst this new plant positions Boral well for when Western housing markets recover, it will operate at high utilisation rates during the downturn, allowing higher cost capacity at Corona to be mothballed.

¹ One square=100 square feet.

Boral Bricks new US\$55 million, 120 million standard brick equivalent plant at Terre Haute, Indiana completed commissioning during the year. Around 80% of the energy requirements of the plant can come from landfill gas, which is considerably lower cost than more conventional sources of energy. This low cost plant will allow older high cost brick capacity to be mothballed during the downturn and positions Boral well when the market recovers.



- BMTI (FLY ASH)
- CONSTRUCTION MATERIALS
- USA BRICK (PRODUCTION)
- USA BRICK (DISTRIBUTION)
- ▼ MONIERLIFETILE CONCRETE ROOFTILES
- ▼ US TILE CLAY ROOFTILES

Management Committee

Rod Pearse 1

CEO AND MANAGING DIRECTOR

Biography on p.31

John Douglas 2

EXECUTIVE GENERAL MANAGER, AUSTRALIAN CONSTRUCTION MATERIALS

John is 46 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.

Phil Jobe 3

EXECUTIVE GENERAL MANAGER, CEMENT

Phil is 54 and has been Executive General Manager of the Cement division since late 1999. Prior to this he was Regional General Manager for Boral's NSW Construction Materials business and General Manager of Boral's Construction Related Businesses from 1995-1999. Before joining Boral, Phil was Managing Director of the Stegbar Group of Companies from 1987-1994. He holds a commerce degree from the University of NSW.

Keith Mitchelhill 4

EXECUTIVE GENERAL MANAGER, CLAY & CONCRETE PRODUCTS

Keith is 45 and rejoined Boral as Executive General Manager of Clay & Concrete Products in August 2002 from Sirius Telecommunications where he was CEO of the Phoneware Division. He was previously Executive General Manager of Boral Timber from 2000-2001, General Manager, Boral Masonry from 1997-1999 and General Manager Marketing, Boral Building Products Group from 1996-1997. Prior to that he held positions with Laminex BTR Nylex and NEC Australia. He holds an economics degree (Honours) and an MBA from Monash University.

Bryan Tisher 5

EXECUTIVE GENERAL MANAGER, TIMBER

Bryan is 45 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 6

EXECUTIVE GENERAL MANAGER, PLASTERBOARD

Ross is 60 and was Boral's Divisional General Manager, Plasterboard Australia from 1996-2000 before becoming Executive General Manager of the Plasterboard division. He was previously 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 7

PRESIDENT, BORAL USA

Emery is 52 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 previously National General Manager of Blue Circle Southern Cement from 1998-1999. 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 8

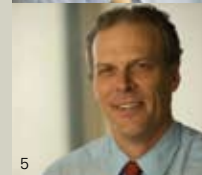
CHIEF FINANCIAL OFFICER

Ken is 42 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.

Michael Scobie 9

GENERAL MANAGER, CORPORATE SERVICES AND COMPANY SECRETARY

Michael is 62 and is General Manager, Corporate Services and Company Secretary of Boral. He joined the Boral Group as a corporate lawyer and has 35 years' service. He became the Company Secretary in 1983 and has also held general counsel and other corporate roles since then. Michael has a law degree from the University of Sydney.



Robin Town 10

GENERAL MANAGER, HUMAN RESOURCES

Robin is 56 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 11

GENERAL MANAGER, CORPORATE DEVELOPMENT

Andrew is 44 and is General Manager, Corporate Development. He was previously National General Manager, Quarry End Use from 2003-2007. 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.

Financial Review

Financial Performance

Significant external factors weighed heavily on the Group's results for 2007/08. A substantial decline in US housing starts had a direct impact on the US businesses, particularly the brick and roof tile operations, which resulted in EBIT for the US segment declining by 130% to a loss for the year of \$27 million. A rapid escalation in energy costs resulted in a contraction of margins, particularly in the Australian Construction Materials businesses. Tighter credit markets have led to increased funding costs and tighter lending conditions broadly; however, interest costs for Boral remained flat and debt maturities were extended. Tighter credit conditions have led to some greater levels of customer defaults in the US and Australia, although at this stage not at levels materially above prior years. Despite these factors, Australian operating profits increased 12% over the prior year, largely as a result of improved prices and volumes across most of the Australian businesses.

Largely as a result of the weaker US markets, Boral's net profit for the year decreased by 19% to \$242.8 million. This net profit is equivalent to 40.7 cents per share, a decrease of around 9.3 cents per share compared with the prior year. A final fully franked dividend of 17 cents per share has been declared, bringing the full year dividends to 34 cents. The dividends remained unchanged from 2007.

The Group's revenues increased by 5.9% compared with the previous year to \$5.2 billion. The increase in revenues can be largely attributed to increased prices across most Australian businesses. Price and volume increases, particularly in the construction materials segment, contributed to the growth in revenue with around a 7% price increase in concrete, 5% in quarry products and 3% in cement.

Despite continued weak housing markets across Australia's East Coast, revenue increased 6% in the Australian Building Products segment. The revenue growth was driven largely by price increases combined with the volume impacts of growth initiatives. US revenues in local currency declined by 13% as housing starts across the US declined by around 27%. The revenue decline does not include the impact of

Income Statement

for the year ended 30 June	2008 \$ millions	2007 \$ millions
Sales revenue	5,198.5	4,909.0
EBITDA	688.2	762.3
Depreciation and amortisation	(240.2)	(231.4)
Write-down of Thailand goodwill	(31.9)	–
EBIT	416.1	530.9
Net interest	(111.9)	(110.5)
Operating profit before tax	304.2	420.4
Income tax expense	(62.0)	(122.3)
Minority interests	0.6	–
Profit after tax	242.8	298.1
Earnings per share (cents)	40.7	50.0

lower revenues in the MonierLifetile business which is equity accounted. MonierLifetile's markets experienced greater declines in housing starts than the brick markets and the US as a whole. The Australian dollar was stronger against the US dollar, by around 14%, which resulted in the reported Australian dollar revenues decreasing by around 24%. Revenues in the Indonesian and Thailand concrete and quarry businesses, rose around 5%.

The Group's underlying¹ operating profit before interest and tax for the year declined by 16% compared to the previous year to \$448.0 million.

The Australian operations generated operating profits of \$465.3 million during the year, up 12% compared to the prior year. The improvement in earnings was due to increased building activity in a number of key markets, particularly in non-residential segments, as well as favourable pricing outcomes.

The Construction Materials operations reported an operating profit of \$350.9 million, which compares to \$318.0 million in the prior year. Strength in the non-residential building markets and in the infrastructure segments underpinned increased volumes across most construction materials businesses, with the notable exception of NSW. Price increases were achieved in cement, concrete and aggregates and asphalt. These price increases, together with cost savings and higher volumes, were not sufficient to offset cost increases and the profit margin increase during the year decreased to 11.9% from 12.5%.

Results from the Australian Building Products businesses were up by 15% compared to the prior year. 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 all achieved price increase. Profits were lower in bricks due to a weakening in the brick-intensive West Australian housing market. Profits in other building products businesses were in line with or higher than the prior year.

The US housing market continued to weaken during 2008. Substantial declines in activity, particularly in single family, detached housing led to losses being incurred in the US segment. Brick sales volumes declined by 27% and prices declined by around 2%. Concrete tile sales volumes declined by 42% and prices were lower by around 5%. Despite price increases and cost improvements, volume declines in the Denver construction materials business led to reduced profits. Profits from the fly ash business were lower than the prior year.

To further increase Boral's exposure to the US construction materials market, a further acquisition was announced during the year. During the year, \$99.8 million was spent to acquire the concrete and aggregate in Oklahoma.

In Asia, prices and volumes improved in plasterboard in most major markets. During the year, new plants were successfully commissioned in South Korea, India and China.

¹ Excluding goodwill and tax provision adjustments

Financial Review

The reported result from the Asian plasterboard business was 12% above prior year.

The Construction Materials businesses in Asia reported weaker results due to lower margins as cost increases were not recovered through higher prices. Concrete volumes were lower in Thailand due to lower levels of construction activity. Challenging market conditions have been experienced in our Thailand concrete and quarry businesses and trading conditions remain difficult; we have therefore chosen to write off the \$31.9 million of goodwill which arose on acquisition of the business in July 2004.

Net interest expense increased from \$110.5 million to \$111.9 million, largely due to an increase in average net debt. Underlying EBIT interest cover declined from 4.8 times to 4.0 times, largely as a result of the decline in earnings.

The average underlying tax rate for the year was lower than the prior year at 26.8%, 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 of \$62 million includes a benefit of \$28.1 million arising from the resolution of a number of outstanding matters with the Australian Taxation Office predominantly around the utilisation of tax losses and capital gains arising from the demerger in 2000.

The interim and final dividends for the year totalled \$202.1 million which, combined, represent a payout ratio of 83% of profit after tax, a higher payout ratio than the 68% ratio for the prior year. Boral continued its Dividend Reinvestment Plan (DRP) during the fiscal year. This resulted in proceeds of \$41.4 million being applied to the issue of 6.1 million new ordinary shares. Boral will continue to offer a DRP and will again undertake an on market buy-back to reduce earnings per share dilution. The Group conducted an off-market share buy-back during the year which resulted in 20.0 million ordinary shares being bought back and cancelled at a price of \$5.65 per share. The price comprised a capital component of \$2.84 per share and a fully franked dividend component of \$2.81 per share.

Balance Sheet

As at 30 June	2008 \$ millions	2007 \$ millions
Current assets	1,570.8	1,451.0
Non-current assets	4,324.2	4,365.6
Total assets	5,895.0	5,816.6
Current liabilities	1,025.3	921.8
Non-current liabilities	1,960.1	1,907.5
Total liabilities	2,985.4	2,829.3
Net assets	2,909.6	2,987.3
Total equity	2,909.6	2,987.3

Debt and Gearing

As at 30 June	2008 \$ millions	2007 \$ millions
Total debt	1,562.5	1,518.0
Total cash and deposits	47.4	35.7
Net debt	1,515.1	1,482.3
Total shareholder equity	2,909.6	2,987.3
Gearing ratios		
Net debt: equity (%)	52	50
Net debt: equity plus net debt (%)	34	33
Interest cover ¹ (times)	4.0	4.8

Financial Position

The net financial position of the Group remained relatively unchanged during the year with total equity decreasing by 2.6% to \$2,909.6 million. Net borrowings increased by 2% to \$1,515.1 million from \$1,482.3 million. The increase in net borrowings was after approximately \$327 million of growth capital and acquisitions during the year and was partly offset due to a favourable currency adjustment from the appreciation of the Australian dollar and translation of our significant US dollar borrowings. The Group's gearing (measured as net debt to equity) increased from 50% to 52% and remains at the lower end of the stated target range of 40% to 70%.

Boral's long-term and short-term credit ratings continued at BBB+/A2 with Standard & Poor's and Baa1/P2 with Moody's Investors Service, although in both cases a negative outlook was noted during the year.

At 30 June 2008, the Group had available undrawn committed and uncommitted debt facilities of \$2,570 million. Boral's average debt maturity profile at 30 June 2008 was 6.0 years compared with 4.9 years at 30 June 2007.

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 10.0% to 8.4% during the period as reported earnings declined by around 19%.

Cash Flow

The Group generated operating cash flows of \$581.8 million after payment of interest and income tax. This represents an increase of 21% or \$100 million compared to the cash flow reported last year. The increase reflects the lower earnings offset by higher dividends from associates, lower tax payments and improved working capital management.

These cash flows were used to fund around \$496.0 million of capital and acquisition expenditure. This largely related to major capital projects in the US and Australia, including a new plasterboard plant in Queensland, the new brick plant in Indiana, new roof tile operations in California and a number of new asphalt plants in Australia. In addition, \$99.8 million was invested in the acquisition of construction materials operations in Oklahoma City in the US.

Board of Directors

Kenneth J Moss, AM 1

NON-EXECUTIVE CHAIRMAN, AGE 63.

Dr Moss joined the Boral Board in 1999 and became the Chairman of Directors in 2000. Dr Moss is the Chairman of Centennial Coal Company Limited and a director of GPT RE Limited (the responsible entity for the General Property Trust) and Macquarie Capital Alliance Group (the responsible entity for the Macquarie Capital Alliance Trust).

Dr Moss 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.

Dr Moss is a member of the Remuneration Committee.

Rodney T Pearse 2

MANAGING DIRECTOR, AGE 61.

Mr 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. Mr Pearse 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 Graduate School of Management, 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 an MBA (High Distinction) from Harvard University.

Elizabeth A Alexander, AM 3

NON-EXECUTIVE DIRECTOR, AGE 65.

Ms Alexander joined the Boral Board in 1994. Ms Alexander is the Chairman of CSL Limited and a director of DEXUS Funds Management Limited (the responsible entity for DEXUS Property Group, which was formerly named DB RREEF Trust). A chartered accountant, she was a partner in PricewaterhouseCoopers in Melbourne until 2002. Ms Alexander is a member of the Takeovers Panel and the Financial Reporting Council. She has a commerce degree from the University of Melbourne.

Ms Alexander is the chair of the Audit Committee.

J Brian Clark 4

NON-EXECUTIVE DIRECTOR, AGE 59.

Dr Clark joined the Boral Board in May 2007. Dr Clark has experience as a non-executive director in Australia and overseas. He is a director of AMP Limited and a member of the Merrill Lynch Australian Advisory Board. 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. Dr Clark has a doctorate in physics from the University of Pretoria, South Africa and completed the Advanced Management Program at the Harvard Business School.

Dr Clark is a member of the Remuneration Committee.

E John Cloney 5

NON-EXECUTIVE DIRECTOR, AGE 67.

Mr 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 and ABN AMRO Australia Holdings Pty Limited. He is a member of the Advisory Council in Australia of ABN AMRO. His career was in international insurance and he was previously the Managing Director of QBE Insurance Group Limited. Mr Cloney is a fellow of the Australian Institute of Management and the Australia and New Zealand Institute of Insurance and Finance.

Mr Cloney is the Chairman of the Remuneration Committee.

Robert L Every 6

NON-EXECUTIVE DIRECTOR, AGE 63.

Dr Every joined the Boral Board in September 2007. He is the Chairman of Iluka Resources Limited and Deputy Chairman of Wesfarmers Limited (and will become the Chairman of Wesfarmers Limited following its Annual General Meeting in November 2008). Dr Every held senior executive positions with Tubemakers of Australia and BHP and was the Managing Director and CEO of OneSteel Limited. Dr Every 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.

Dr Every is a member of the Remuneration Committee.

Richard A Longes 7

NON-EXECUTIVE DIRECTOR, AGE 62.

Mr Longes joined the Boral Board in 2004. He is a director of Austbrokers Holdings Limited and Metcash Limited. Mr Longes 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 an MBA from the University of New South Wales.

Mr Longes is a member of the Audit Committee.



J Roland Williams, CBE 8

NON-EXECUTIVE DIRECTOR, AGE 69.

Dr Williams joined the Boral Board in 1999. He is a director of Origin Energy Limited. Dr Williams 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.

Dr Williams is a member of the Audit Committee.

Corporate Governance

This section of the Annual Review discloses the key details of Boral's governance framework. Boral is committed to ensuring its policies and practices reflect good governance and compliance with all requirements applying to Australian listed companies.

The Directors consider that the governance framework and adherence to that framework are fundamental in demonstrating that they are accountable to shareholders and are appropriately overseeing the management of risk and the future direction of the Company.

In August 2007, the Australian Securities Exchange (ASX) Corporate Governance Council released its revised Corporate Governance Principles and Recommendations. Even though disclosure by Boral under these revised Principles and Recommendations is not required until the 2009 annual report, Boral has made an early transition to reporting by reference to them in this Corporate Governance section.

Boral complied with the revised Principles and Recommendations in all substantial respects throughout the 2008 financial year. In any instance where Boral has an alternative approach to a recommendation, this has been disclosed and explained.

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.

The Board reviews and approves the Company's strategic and business plans and guiding policies. Day to day management of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the chief executive officer and senior executives, who operate in accordance with Board approved policies and delegated limits of authority.

The responsibilities of the Board 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.
- Meeting legal requirements and ensuring that the Company acts responsibly and ethically and prudently manages business risks and Boral's assets.

In fulfilling the Board's responsibilities, Directors seek to enhance shareholder value.

Policies, plans and strategies and limits of delegated authority, which have been approved by the Board and are reviewed regularly, define the responsibilities and functions of senior executives.

Work of Directors on Strategy and Other Matters

The Board reviews the strategic action plan, approves the annual budget and monitors the Company's performance against them. Initiatives have included disciplined growth strategies, capital management, cost efficiencies and other aspects of operational improvement programs.

Directors and senior management meet annually for two days to discuss in detail the strategic direction of the Company's businesses. The Board's focus is on improving shareholder returns and pursuing disciplined growth.

Each month, Directors receive a detailed operating review from the Managing Director and Chief Executive Officer (CEO) regardless of whether or not a Board Meeting is being held.

Non-executive Directors would spend approximately 30 days each year on Board business and activities including Board and Committee meetings, the strategy meeting, visits to operations and meeting employees, customers, business associates and other stakeholders.

During the year, the Board visited a number of sites including Highland Pine Products Pty Limited (50% owned) in Oberon, NSW and the new plasterboard plant and Sunstate Cement Limited (50% owned) in Brisbane, Queensland. The Board also spent a week in March 2008 in the USA visiting Boral's brick, roof tile and construction materials operations and MonierLifetile LLC (50% owned).

The Chairman regularly communicates with the CEO to review key issues and performance trends.

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 non-executive Directors formally review the performance of the CEO.

The criteria assessed are both qualitative and quantitative and include:

- profit performance.
- other financial measures.
- safety performance.
- 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 and reports to the Board through the Remuneration Committee on the outcome of those reviews.

The performance of the CEO and the Company's senior executives during the 2008 financial year was assessed in August 2008 in accordance with the above processes.

Principle 2: Structure the Board to Add Value

Structure of the Board

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 separate. The skills, experience and expertise of each Director are set out on page 31 of the Annual Review.

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
Elizabeth Alexander	1994	21 October 2005
Brian Clark	May 2007	29 October 2007
John Cloney	1998	27 October 2006
Bob Every	September 2007	29 October 2007
Richard Longes	2004	29 October 2007
Roland Williams	1999	29 October 2007

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.

Director Independence

The Board has assessed the independence of non-executive Directors (including the Chairman) in light of their interests and relationships and considers all 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, and 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.
- The Director has no material contractual relationship with a Boral company other than as a Director.

It is considered 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.

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 most effectively carry out its responsibilities. 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 Bob Every as a new non-executive Director in September 2007 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 in assessing them. 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.

Corporate Governance

The key terms and conditions relative to the appointment of Directors, the Board's responsibilities and the Company's expectations of Directors are set out in a letter when a new non-executive Director is appointed.

Tenure of Directorships

The Company's Constitution was amended at the 2007 Annual General Meeting to require that a Director must not hold office (without re-election) past the longer of the third Annual General Meeting or three years following that Director's last election or appointment.

This amendment brought the Constitution into line with the ASX Listing Rules on the issue of retirement of Directors. 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 a 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 any Director 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 not undertaken in the 2007/08 financial year but one is currently underway.

Conflicts of Interest

Directors are required to declare the nature of any interest they have in business to be dealt with by the Board. Except as permitted by the Corporations Act, Directors leave Board Meetings and do not vote when business in which they are interested is considered.

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.

Pursuant to the Company's Constitution and agreements with Directors and to the extent permitted by law, the Company must indemnify Directors and executive officers 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 a liability.

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 comply with 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.

This policy and 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 legitimate stakeholders.

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

Dealings in Boral Shares

The Board has a policy that Boral Limited Group directors, officers and senior executives may not buy or sell Boral shares except within a period of one month after any major public announcement regarding the Company's results and trading prospects (such as the yearly and half yearly profit announcements and the Chairman's and Managing Director's Addresses to the Annual General Meeting). 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. The policy supplements the Corporations Act provisions precluding directors and officers from trading in securities when they are in possession of price sensitive "insider" information.

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

Share dealings by Directors are promptly notified to ASX.

Boral Directors must hold a minimum shareholding of 1,000 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 is wholly comprised of independent non-executive Directors.

The Audit Committee is chaired by Elizabeth Alexander with Richard Longes and Roland Williams being the other members. The members possess sufficient technical expertise to fulfil the functions of the Committee. The Committee met five times during the 2008 financial year, and attendance by members at these meetings is shown in paragraph (13) of the Directors Report on page 39.

The Audit Committee has a formal Charter which sets out its role and responsibilities, composition, structure and membership requirements. The Committee has the necessary power and resources

to meet the Charter including rights of access to management and auditors (internal and external) and to seek explanations and additional information.

The Audit Committee Charter is available on Boral's website.

The Committee also reviews the Company's compliance with applicable accounting standards and generally accepted accounting principles.

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 is 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 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 management twice during the year.

The Chair of the Audit Committee ordinarily reports to the full Board after Committee Meetings. Minutes of Meetings of the Audit Committee are ordinarily included in the papers for the next full 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.

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" structure 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 41.

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

The Company complies with all relevant disclosure laws and ASX Listing Rule requirements in Australia and has in place mechanisms (including Boral's Continuous Disclosure Policy) designed to ensure compliance with those requirements. These mechanisms also ensure accountability at a senior executive level for that compliance.

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.

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.

Annual and half-yearly reports are provided to shareholders other than those who have requested that they do not receive copies. Shareholders may elect to receive annual reports electronically. While companies are not required to send annual reports to shareholders other than those that have elected to receive them, Boral gives shareholders the opportunity to elect to receive notifications via email when reports are available on line or to have sent to them copies of a new overview document being the Shareholder Review, the Annual Review (including the Sustainability Report) or the full Annual Report.

Announcements to the market are placed on Boral's website after they are released to ASX and these announcements and financial data 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.

Corporate Governance

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 upon the business of the meeting. Full copies of Notices of Meeting and explanatory notes are posted on Boral's website. If shareholders are unable to attend general meetings, they may vote by appointing a proxy using the form attached to the Notice of Meeting or an online facility.

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.
- 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 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 price, 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 to 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 2007/08 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/antitrust, 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.
- 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 the large number of Boral 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 breaches 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 for the 2008 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 is comprised of four independent non-executive Directors, namely John Cloney (Chairman), Brian Clark, Bob Every and Ken Moss. The Committee met on two occasions during the 2008 financial year, and attendance by members at those meetings is shown in paragraph (13) of the Directors Report on page 39.

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

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.
- A significant proportion of executive reward be dependent upon 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 under the subheading "Dealings in Boral Shares" under Principal 3, prohibits executives entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under the equity based remuneration schemes, namely the Boral Senior Executive Option Plan and the Boral Senior Executive Share Performance Plan.

Remuneration of Non-executive Directors

The remuneration of the non-executive Directors is fixed by way of cash, superannuation contributions or salary sacrifice in equity through the Non-Executive Directors Share Plan and they do not receive any options, bonus payments or other performance related incentives. Non-executive Directors are not provided with retirement benefits other than superannuation.

Further information relating to the remuneration of the non-executive Directors is set out in the Remuneration Report on pages 44, 45 and 47. This information includes a summary of the terms of the Non-Executive Directors' Share Plan.

Remuneration Report

A detailed Remuneration Report is set out in clause (19) of the Directors' Report on pages 42 to 49. As required by the Corporations Act, a resolution that the Remuneration Report be adopted will be put to the vote at the Annual General Meeting, however, the vote will be advisory only and will not bind the Directors or the Company.

Directors' Report

The Directors of Boral Limited ("the Company") report on the consolidated entity, being the Company and its controlled entities ("Boral"), for the financial year ended 30 June 2008:

(1) Review of Operations

The Directors review the operations during the year of Boral and the results of those operations as stated in the Chairman's Review and Managing Director's Review on pages 6 to 11 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 acquisition of the assets of two construction materials businesses in Oklahoma, USA, Schwarz Readymix, a ready mixed concrete and sand business, and the Davis Arbuckle Materials quarry, for prices totalling \$99.8 million in August 2007;
- the off-market buy-back of 20,019,889 of the Company's shares for the total consideration of \$114.2 million (\$5.65 per share) on 7 April 2008; and
- significant items having a net loss of \$3.8 million being the write-down of \$31.9 million of goodwill applicable to the quarry and concrete business in Thailand, less the income tax benefit of \$28.1 million taken to account following the resolution with the Australian Taxation Office of matters relating to the utilisation of tax losses and capital gains arising from the demerger in 2000 and progress on other outstanding taxation matters.

(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 for 2008/09" in the Managing Director's Review on page 10 of the Annual Review, the Directors have no reference to make to 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 S18 to S23 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;
- (b) the financial position of Boral; and
- (c) Boral's business strategies and its prospects for future financial years.

(8) Dividends Paid or Declared

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 2007 was paid on 18 September 2007	102.0
The interim dividend of 17 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year was paid on 19 March 2008	102.5

The final dividend of 17 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year has been declared by the Directors and will be paid on 18 September 2008.

(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 Pearce
E John Cloney	Mark R Rayner
Robert L Every	J Roland Williams
Richard A Longes	

All of those persons, other than Dr Every and Mr Rayner, have been Directors at all times during and since the end of the year. Dr Every was appointed a Director on 7 September 2007 and has been a Director at all times since that date. Mr Rayner was a Director from 1 July 2007 to 29 October 2007, on which date he 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 set out on page 39.

Since the end of the year, a further 21,692 shares of the Company have been issued at the price of \$5.57 each as a result of the exercise of options in tranche (xiii).

Tranche (xvii) was issued during the year pursuant to the Boral Senior Executive Option Plan. The number of options in that tranche granted to each of Mr R T Pearce, the Managing Director and Chief Executive Officer, and the executives named in the Remuneration Report in clause (19) as part of their emoluments for the year and certain other details of the terms of the options are set out in the Remuneration Report on page 49 of the Annual Review. The grant of options to Mr Pearce was approved by shareholders at the Company's Annual General Meeting held on 21 October 2004.

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. Optionholders 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.

(10) Options (continued)

Tranche	Grant Date	Expiry Date	Exercise price	Balance at	Options issued	Options lapsed	Shares issued	Options at end of year	
				beginning of 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	215,800	–	–	72,800	143,000	143,000
(xiii)	29/10/2003	29/10/2010	\$5.57	2,876,808	–	54,230	208,150	2,614,428	733,748
(xiv)	29/10/2004	29/10/2011	\$6.60	2,053,100	–	103,400	–	1,949,700	–
(xv)	31/10/2005	31/10/2012	\$7.70	3,305,500	–	110,500	–	3,195,000	–
(xvi)	06/11/2006	06/11/2013	\$7.32	4,717,900	–	137,000	–	4,580,900	–
(xvii)	06/11/2007	06/11/2014	\$6.83	–	5,938,700	–	–	5,938,700	–
				13,169,108	5,938,700	405,130	280,950	18,421,728	876,748

The above mentioned options were held by 177 persons.

(11) Indemnities and Insurance for Officers and Auditors

During or since the end of the year, Boral has not given any indemnity to a current or former officer or auditor against a liability or made any agreement under which an officer or auditor may be given any indemnity of the kind covered by sub-section 199A(2) or (3) of the Corporations Act 2001.

During the year, Boral paid premiums in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts for the year ended 30 June 2008 and since the end of the year, Boral has paid, or agreed to pay, premiums in respect of such contracts for the year ending 30 June 2009. The insurance contracts insure against certain liability (subject to exclusions) persons who are or have been directors or officers of the Company and controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

(the responsible entity for DEXUS Property Group which was formerly named DB RREEF Trust) from January 2005 (current)

J B Clark
AMP Limited from January 2008 (current)

E J Cloney
Patrick Corporation Limited from 2003 to May 2006
QBE Insurance Group Limited from 1981 (current)

R L Every
Iluka Resources Limited from March 2004 (current)
Sims Group Limited from October 2005 to November 2007
Wesfarmers Limited from February 2006 (current)

R A Longes
Austbrokers Holdings Limited from November 2005 (current)
Lend Lease Corporation Limited from 1986 to November 2005

Metcash Trading Limited from 2000 to January 2006
Metcash Limited from April 2005 (current)
Viridis Investment Management Limited from September 2005 to August 2007

K J 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 (current)

R T Pearce
Nil

J R Williams
Origin Energy Limited from 2000 (current)

(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 31 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 year and the period for which such directorships has been held are:

E A Alexander
Amcor Limited from 1994 to October 2005
CSL Limited from 1991 (current)
DEXUS Funds Management Limited

(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
E A Alexander	11	9	5	5	–	–
J B Clark	11	10	–	–	2	2
E J Cloney	11	11	–	–	2	2
R L Every	8	8	–	–	1	Nil
R A Longes	11	10	5	5	–	–
K J Moss	11	11	–	–	2	2
R T Pearce	11	11	–	–	–	–
J R Williams	11	11	5	5	–	–

Directors' Report

(13) Meetings of Directors (continued)

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, Michael B Scobie, are set out on page 28 of the Annual Review.

(15) Directors' Shareholdings

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

	Shares	Non-Executive Directors' Share Plan ^a	Options and Share Acquisition Rights (SARs)
E A Alexander	16,374	20,924	–
J B Clark	56,079	2,225	–
E J Cloney	14,529	24,701	–
R L Every	13,004	1,631	–
R A Longes	13,379	6,237	–
K J Moss	31,000	21,908	–
R T Pearse	4,101,178	–	b
J R Williams	48,522	20,214	–

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

- Dr J B Clark, 37,931 shares are held by UBS Wealth Management Australia Nominees Pty Limited – <Brian & Sandra S/F A/C> and 17,063 shares are held by UBS Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- Mr E J Cloney, 534 shares are held by Lizzey Investments Pty Limited and 12,500 shares are held by Cloney Superannuation Fund;
- Mr R A Longes, 10,000 shares are held by Richard Longes Superannuation Fund;
- Dr K J Moss, 31,000 shares are held by K J and G A Moss; and
- Mr R T Pearse, 41,639 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.

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	6 November 2013	\$7.32
2,694,000	6 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 only vest 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 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 \$447,000. These services consisted of:

Taxation compliance/ advisory services in Australia	\$90,000
Taxation compliance/ advisory services in jurisdictions other than Australia	\$199,000
Assurance related services	\$103,000
Acquisition services	\$55,000

Fees for audit services during the year totalled \$1,890,000. There was no audit related services component of that amount.

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 41 of the Annual Review and forms part of this report.

(19) Remuneration Report

The Remuneration Report is set out on pages 42 to 49 of the Annual Review.

(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.

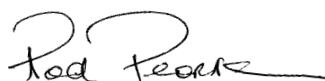
(21) Rounding of Amounts

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 Pearce
Director

Sydney, 4 September 2008



Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

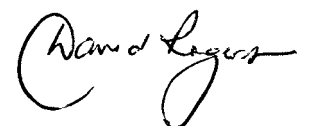
To: the Directors of Boral Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



David Rogers
Partner

Sydney, 4 September 2008

Remuneration Report

This Remuneration Report is clause (19) of the Directors' Report.

The Remuneration Report:

- Explains the Board's policies relating to remuneration of directors, secretaries and executives within Boral.
- Discusses the relationship between such policies and the Company's performance.
- Provides details of Boral's performance condition.
- Sets out remuneration details for the Company's key management personnel including Non-executive Directors, the Executive Director and other executives.

(i) Remuneration Committee

The role of the Remuneration Committee, which oversees remuneration issues, is referred to on page 37 of the Annual Review.

Management support for the Committee and advice from specialist remuneration advisers is provided primarily through Boral's General Manager, Human Resources.

(ii) Remuneration Policy

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.
- A significant proportion of executive reward be dependent upon performance assessed against key business measures, both financial and non-financial.

Current practice is to target fixed remuneration at market median levels paid by comparable companies for similar positions, with scope of role, performance and competence determining level of remuneration relative to market. Through variable

remuneration, executives are rewarded at the market median level for "target" performance and at the upper quartile level for delivery of "stretch" targets. Boral makes extensive use of market data to benchmark remuneration levels.

(iii) Executive Remuneration Structure

Remuneration for Boral executives includes both fixed and variable (incentive) components. Fixed remuneration includes base salary, any non-cash benefits such as provision of a vehicle (including any FBT charges) and in most instances, superannuation contributions. Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual and company performance. External market advice is also considered to ensure remuneration levels remain competitive in the market-place.

Variable remuneration for executives includes both short-term and long-term incentives and is designed to reward executives for meeting or exceeding their financial and personal objectives. The Short Term Incentive (STI) is provided in the form of cash while the Long Term Incentive (LTI) is currently provided as options over ordinary Boral shares and/or share acquisition rights (SARs). Participation by executives in the STI and LTI schemes is at the discretion of the Board.

STIs are provided for employees who have significant influence over the annual outcomes of business units. Currently, about 6% of Boral employees participate in the STI scheme.

Salaried staff in Australia participate in an annual staff incentive scheme which is performance related. Currently, about 23% of Boral's Australian employees participate in the staff incentive scheme. The average incentive represents about 2.5% of base remuneration.

LTIs are provided for senior executives who are determined by the Board as having significant influence over the long-term outcomes of Boral. About 1% of employees participate in the LTI scheme.

Short Term Incentive

The STI amount awarded to any executive is determined at the end of the financial year when results are available. The STI is a proportion of a pre-determined target amount which varies with job size. The target amount is set by the Board based on market data. The actual incentive awarded is determined by assessment of the executive's performance against specific objectives, both financial and non-financial. The executive's performance is assessed relative to three measurement levels (minimum, target and stretch). A percentage of the target amount is awarded, depending on results, between 30% for minimum performance and 200% for stretch performance. Target performance achieves 100% of the target amount. No incentive is awarded where performance falls below minimum.

In the year to 30 June 2008, the target STI levels for members of the senior executive team were 35% to 53% of fixed remuneration.

The financial performance objective is based on "Profit After Funding" which is a measure of profit related to assets employed. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety performance, workers' compensation cost reduction, environment and sustainability outcomes, operational improvement and performance enhancement, customer satisfaction and staff development. These performance measures have been chosen to focus executives on adding shareholder value and demonstrating the Boral Values. Financial and non-financial objectives each typically account for 50% of the target STI for the majority of executives. For divisional Executive General Managers, financial objectives account for 67% of the target STI.

STIs in 2008 were higher than in 2007 for most senior executives of Australian divisions reflecting stronger performance against financial objectives and higher target STI levels which were reviewed to market in 2007. In the USA, STIs were generally lower than in 2007 reflecting financial results which were below target.

Long Term Incentive

The LTI award for an executive is a percentage of fixed remuneration which is set by the Board based on market data and the executive's position within the Company. The number of options or SARs to be awarded is calculated using the fair market value of those options or SARs determined in accordance with the applicable accounting standard and based on the average Boral share price for the five trading days following the Annual General Meeting.

In the year to 30 June 2008, the LTI levels for members of the senior executive team were 35% to 50% of fixed remuneration.

Options over ordinary Boral shares and SARs awarded to senior executives as LTIs are issued under the Rules of the Boral Senior Executive Option Plan and Boral Senior Executive Performance Share Plan respectively.

The number of options and/or rights that may be offered to executives when aggregated, together with the number of shares held in the Company's Employee Share Plan and Senior Executive Performance Share Plan and the number of shares that would be issued on exercise or vesting of outstanding options and rights, shall not exceed 5% of the total number of issued shares at the time of any such offer.

Subject to an exercise hurdle being attained, the exercise period during which options may be exercised and SARs may vest commences after three years and ends after seven years. The options and SARs lapse or forfeit if they are not exercised or released during such period. Generally the options and SARs do not remain available to executives who resign unless the Board exercises a discretion. Options may only be exercised and SARs may only vest if the exercise hurdle, which is set by the Board and is dependent on Boral shares performing favourably compared with the overall returns of shares in companies in the ASX 100, is met.

Full details of the current hurdle which has applied since 2001 are as follows:

Exercise hurdle

The exercise hurdle for both options and SARs is measured by comparing the performance of the Company with the performance of other companies in which shareholders may potentially invest. This is in line with the approach of other major Australian companies.

Accordingly, the exercise of the options and vesting of SARs will depend on the maximum Total Shareholder Return (TSR) of the Company relative to the TSR of the companies from time to time comprising the ASX 100.

Determination of the TSR will be made on the basis of movements in the share price and dividends, calculated in a similar manner to the Accumulation Index of ASX.

The period over which the TSR of the Company is compared with the TSR of the ASX 100 commences on the date of grant of the options and the SARs and is measured at any time during the exercise period. Measuring Boral's TSR at any time during the exercise period affords executives the same opportunity as shareholders to review the performance of the Company progressively during the exercise period.

The percentage of options or SARs capable of exercise is based on a sliding scale as follows:

If at any time during the exercise period the TSR of the Company:	The percentage of options or SARs which become exercisable is:
Does not reach the 50th percentile of the TSR of the ASX 100	0%
Reaches the 50th percentile of the TSR of the ASX 100	50%
Reaches or exceeds the 75th percentile of the ASX 100	100%

The percentage of options or SARs which become exercisable increases from the 50th percentile up to the 75th percentile by 2% for each 1% increase in the percentile of the TSR of the Company, compared to the TSR of the ASX 100.

The measurement of Boral's TSR from the 2004 grant onwards requires the exercise hurdle to be maintained for a minimum of 10 consecutive business days. The percentile measurement of Boral's TSR will be based on the lowest share price during the 10 day period.

The number of options to be granted to an executive under the Option Plan in respect of a financial year is determined by the Board after considering the level of responsibility and accountability of the executive. The award is based on a percentage of fixed remuneration (dependent upon position within the Company) and the fair market value of a market priced option as determined independently using a valuation method defined by the applicable Australian Accounting Standard. The exercise price of the options is the average of the last sale price of Boral ordinary shares traded on ASX on each of the five trading days immediately after the date of the Annual General Meeting.

SARs were introduced in 2004 to provide an alternative LTI vehicle to options. SARs are granted to executives under the Boral Senior Executive Performance Share Plan following similar principles to those of the Option Plan. SARs can be granted in lieu of options, with the number granted calculated in the same way, ie based on a percentage of fixed remuneration and the fair market value of a SAR. No consideration is payable by the executive for the SARs or on transfer of shares after the SARs vest.

The LTIs and the Option and Performance Share Plans are designed to align participants' interests with those of shareholders.

Remuneration Report

Boral's earnings improved in 2004 and held steady through 2005 and 2006, however, earnings have decreased in 2007 and 2008. Shareholder wealth has fluctuated in years since 2003 as follows:

Year ended 30 June	Full year's dividend	Boral share price at year end	Return on equity
2003	23 cents	\$5.06	13.2%
2004	30 cents	\$6.46	15.7%
2005	34 cents	\$6.48	15.4%
2006	34 cents	\$8.14	13.2%
2007	34 cents	\$8.78	10.0%
2008	34 cents	\$5.65	8.5%

2005 figures restated to reflect adoption of Australian equivalents to International Financial Reporting Standards.

2008 return on equity excludes the financial impact of significant items.

Boral's TSR performance in recent years is detailed as follows:

LTI grant in year ended 30 June	Average annual TSR Performance over three years from date of grant
2003	39%
2004	20%
2005	9%

Boral's TSR performance was such that the exercise hurdle for options granted as LTIs in 2004 has, since the exercise period for them commenced on 29 October 2007, not yet been satisfied and none of those options have become exercisable.

Whether executives will benefit from vesting of LTIs awarded in 2004 and subsequent years will be determined by whether or not the exercise hurdles are satisfied during applicable exercise periods which commence three years after an award and end seven years after such award.

Boral has a policy on share trading which applies to Directors, officers and senior executives including key management personnel. This policy prohibits executives entering hedge and other derivative transactions regarding options or SARs granted to them as LTIs. Refer to the sub-heading "Dealings in Boral Shares" on page 34 of the Annual Review.

(iv) Non-executive Directors' Remuneration

The remuneration of non-executive Directors is determined by the full Board upon the recommendation of its Remuneration Committee within a maximum amount approved by shareholders in general meeting. The maximum amount was last increased to \$1,250,000 per annum in total remuneration at the Company's 2006 Annual General Meeting.

The remuneration of non-executive Directors is structured on a total remuneration basis which may be in the form of cash, superannuation contributions or Boral shares acquired through the Non-Executive Directors' Share Plan. Non-executive Directors are not provided with retirement benefits other than superannuation contributions.

The Board has agreed that as a matter of guidance rather than by way of requirement, an appropriate minimum proportion of non-executive Directors' remuneration to be taken in the Company shares through the Non-Executive Directors' Share Plan would be 10%.

The terms and conditions of the Plan provide to the effect that:

- The Company may pay into the Plan such percentage of the fees of a non-executive Director as he or she from time to time wishes to have applied under the Plan.
- The amount so paid will be applied by the Trustee of the Plan to the purchase of the Company's ordinary shares on ASX at market price during the 30 day period after the release by the Company to ASX of its half yearly results and its preliminary final results in each year or after the annual general meeting in each year.
- In the books of the Plan, the shares purchased will be notionally allocated to each non-executive Director in proportion to the amount paid to the Plan in respect of that non-executive Director.

- Dividends in respect of shares notionally allocated to a non-executive Director may be distributed by the Trustee to that non-executive Director after receipt of those dividends, together with any franking credits which relate to them. In addition, the Trustee is entitled, if requested by a non-executive Director, to elect to participate in the Dividend Reinvestment Plan in respect of those shares notionally allocated to that non-executive Director.
- The Plan is required to hold the shares notionally allocated to a non-executive Director on trust for that non-executive Director for at least 10 years. Upon request, the Trustee will transfer all shares notionally allocated to a non-executive Director for not less than 10 years to that non-executive Director.

Upon retirement from office or death of a non-executive Director, all shares notionally allocated to that non-executive Director will be transferred by the Trustee to him or her or, in the event of death, to his or her personal representative.

In considering the level of remuneration for Directors, the Board takes account of survey and other information on remuneration being paid by peer group companies.

For the year, base remuneration (fees) of \$115,000 was payable to non-executive Directors. The base remuneration for the Chairman was \$316,250. In addition, remuneration of \$12,500 was payable to members of Board Committees and \$18,750 to the chairs of Committees.

The Board has approved an increase in yearly base remuneration (fees) for non-executive Directors to \$123,000 and for the Chairman to \$338,250 from 1 July 2008. The additional Committee remuneration will be \$13,500 for members and \$20,250 for the chairs.

The remuneration of the non-executive Directors is fixed and they do not receive any options, variable remuneration or other performance related incentives.

Non-executive Directors' Remuneration

The remuneration of the non-executive Directors is set out in the Key Management Personnel Remuneration table on page 47.

(v) CEO's Remuneration

Mr Pearse is the Managing Director and Chief Executive Officer (CEO) of Boral Limited. Mr Pearse was appointed to this position effective 1 January 2000 for a five year term and agreed to a further five year contract which commenced on 1 January 2005.

Mr Pearse's base remuneration is set by the Board annually and may be taken as cash salary, company provided motor vehicle and superannuation contributions.

Mr Pearse's STI entitlement for 2008 was to a payment of 100% of base remuneration for target performance and up to 200% of base remuneration for stretch performance. The amount of the STI in any year is determined by the Board in consultation with Mr Pearse by assessment of his performance against financial and non-financial targets agreed by the Board in consultation with him at the start of each financial year.

Mr Pearse's 2008 STI is higher than in 2007 due to a market review of his remuneration (as a result of which target STI was increased from 60% to 100% of base remuneration) and the Company's stronger financial performance against target. In 2007, Mr Pearse's STI was significantly below market median.

Mr Pearse is also entitled to LTIs in the form of options granted under the Boral Senior Executive Option Plan and/or SARs granted under the Boral Senior Executive Performance Share Plan with a fair market value intended to represent, so far as practicable, 75% of the aggregate base remuneration payable over the five year term of the contract.

This has been achieved by the Company granting to Mr Pearse in each of November 2005, November 2006 and November 2007, options under the Boral Senior Executive Option Plan and SARs under the Boral Senior Executive Performance Share Plan so that the aggregate fair market value of the options and SARs granted to him is equal to 125% of the base remuneration payable in respect of the period ending on 31 August immediately prior to the date of grant. In effect, Mr Pearse has received three long-term incentive grants worth 125% of base remuneration in each of years one, two and three of the contract, instead of five long-term incentive grants worth 75% of base remuneration in each of years one to five of the contract. Mr Pearse will therefore not be granted further LTIs in 2008 or 2009. For these purposes, fair market value means the fair market value of options or rights to shares measured in accordance with the accounting standards applicable to the Company at the time.

If the service contract is terminated before the expiry of the five year term other than for breach by the Company, fundamental change or termination by the Company without notice then part of the LTIs granted to Mr Pearse will be cancelled so that the aggregate LTIs which Mr Pearse retains following termination represent 75% of base remuneration received over the term for which Mr Pearse actually served.

Shareholders at the Company's Annual General Meeting held on 21 October 2004 approved the above contemplated grants of options and SARs to Mr Pearse in respect of the five year period of his service contract from 1 January 2005.

Mr Pearse's aggregate annual remuneration, including base remuneration, STI and LTI, is reviewed by the Board annually taking into account the performance of Mr Pearse in the preceding year and a comparison against the remuneration payable to chief executives of an appropriate comparator group of companies determined by the Board and drawn from the top 50 ASX companies and international companies of appropriate size and industry.

Termination Events and Calculation of Payments

Shareholders at the Company's Annual General Meeting held on 21 October 2004 approved the payment of any termination payments which may become payable to Mr Pearse under his contract.

Set out below are the circumstances in which Mr Pearse's contract may be terminated and details of payments and other benefits that he may be entitled to receive as a result of such termination. For these purposes, the "total annual reward" in respect of any year is the base remuneration payable in that year plus the amount of any short-term incentive payable in that year.

Payment on expiry of term – Upon Mr Pearse entering a no compete condition for 15 months, the Company will pay him 1.25 times his total annual reward.

Payment on resignation – Upon Mr Pearse resigning by giving six months' written notice and entering into a no compete condition for 15 months, the Company will pay him 1.25 times his total annual reward.

Termination for illness or incapacity – Either Mr Pearse or the Company may, by giving six months' written notice, terminate his employment by reason of illness or incapacity.

Termination for cause – No termination payment is payable to Mr Pearse if he is dismissed for misconduct, willful neglect, serious or persistent breach of the service contract or other serious causes.

Termination for breach by the Company or fundamental change – If Mr Pearse terminates his employment because the Company is in breach of its obligations under the service contract or either party terminates the employment if there is a fundamental change which removes or diminishes his status, duties or authority, the Company will pay him an amount equal to twice the total annual reward in the year of termination.

Remuneration Report

Termination by Company for poor performance – If the Company terminates the employment of Mr Pearse because his performance is not at the level reasonably required, the Company will pay him an amount equal to his base remuneration in the year of termination.

Termination by Company without notice – If the Company terminates the employment of Mr Pearse without notice, the Company will pay him:

- (a) an amount equal to one half of his total annual reward in the year of termination (in lieu of six months' notice); and
- (b) an amount equal to total annual reward in the year of termination or where there is less than one year between the date of termination and the agreed expiry date, that amount multiplied by the number of days remaining until the expiry date divided by 365;

and, upon his entering into a no compete condition for 15 months, the Company will also pay him 1.25 times his total annual reward.

CEO's Remuneration

The remuneration of the CEO, Mr Pearse, is set out in the Key Management Personnel Remuneration table on page 47.

(vi) Executives' Remuneration

The remuneration of the most highly remunerated company executives and relevant group executives is determined in accordance with Boral's remuneration structure detailed above.

Termination

Periods of notice to be given by the executive upon resignation are from one to three months.

There are no contractual pre-set termination benefits for these executives and in the event that an executive's service is terminated by the employer whether for cause, poor performance, redundancy or otherwise, payments are made to satisfy Boral's legal obligations and meet fair market practices.

General employment terms and conditions are set out for each executive in their respective letters of employment/appointment.

A limited number of US senior executives have entered Executive Transition Agreements with Boral Industries Inc. pursuant to which benefits 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. Any such benefit which becomes payable is two times annual salary plus STI.

Executives' Remuneration

The remuneration of the most highly remunerated company executives and relevant group executives is set out in the Key Management Personnel Remuneration table on page 47.

Executive remuneration is not driven solely by the level of company profits. Executives are rewarded for managing their business according to pre-approved objectives, plans and budgets and sometimes budgeted earnings are lower than previous years due to the cyclical nature of our markets.

In 2007, executive STIs were reviewed to market and were found to be below market median and not satisfying Boral's remuneration policy as set out on page 42. As a result, STI levels were increased for 2008. In addition to this, stronger financial performance against targets for most Australian divisions resulted in increased STI outcomes for executives.

Key Management Personnel Remuneration – 2008

		Short-term				Post-employment			Other long-term	Share-based payments			Total remuneration	Proportion of remuneration performance-related	Value of options as proportion of remuneration
		Salary and fees	Short Term Incentive (cash bonus)		Non-monetary benefits	Super-annuation contributions ^a	Retirement benefits	Long Term Incentives ^b		Share plan					
			A\$	% vested				% forfeited			A\$	A\$			
DIRECTORS															
Non-executive															
E A ALEXANDER	2007	102,901	–	–	–	–	9,261	–	–	–	–	12,463	124,625	–	–
	2008	39,314	–	–	–	–	423	–	–	–	–	94,013	133,750	–	–
J B CLARK	2007	8,323	–	–	–	–	749	–	–	–	–	1,008	10,080	–	–
	2008	105,275	–	–	–	–	9,475	–	–	–	–	12,750	127,500	–	–
E J CLONEY	2007	102,901	–	–	–	–	9,261	–	–	–	–	12,463	124,625	–	–
	2008	110,436	–	–	–	–	9,939	–	–	–	–	13,375	133,750	–	–
R L EVERY	2007	0	–	–	–	–	0	–	–	–	–	0	0	–	–
	2008	82,311	–	–	–	–	7,408	–	–	–	–	9,921	99,640	–	–
R A LONGES	2007	98,050	–	–	–	–	8,825	–	–	–	–	11,875	118,750	–	–
	2008	105,275	–	–	–	–	9,475	–	–	–	–	12,750	127,500	–	–
K J MOSS Chairman	2007	262,600	–	–	–	–	12,800	–	–	–	–	30,600	306,000	–	–
	2008	260,458	–	–	–	–	13,500	–	–	–	–	54,792	328,750	–	–
M R RAYNER	2007	98,050	–	–	–	–	8,825	–	–	–	–	11,875	118,750	–	–
	2008	38,396	–	–	–	–	0	–	–	–	–	4,250	42,646	–	–
J R WILLIAMS	2007	98,050	–	–	–	–	8,825	–	–	–	–	11,875	118,750	–	–
	2008	105,275	–	–	–	–	9,475	–	–	–	–	12,750	127,500	–	–
Executive															
R T PEARSE Managing Director and CEO	2007	2,045,333	576,000	23%	77%	18,070	413,000	–	34,089	770,307	339,520	–	4,196,319	40%	18%
	2008	2,253,333	2,269,953	41%	59%	18,070	455,000	–	37,556	1,288,904	339,520	–	6,662,336	59%	19%
Total	2007	2,816,208	576,000			18,070	471,546	–	34,089	770,307	339,520	92,159	5,117,899		
Total	2008	3,100,073	2,269,953			18,070	514,695	–	37,556	1,288,904	339,520	214,601	7,783,372		
EXECUTIVES															
J M DOUGLAS Executive General Manager, Australian Construction Materials	2007	658,642	215,897	53%	47%	18,070	12,800	–	10,977	44,598	38,123	–	999,107	30%	4%
	2008	740,800	373,618	54%	46%	18,070	13,400	–	12,347	61,163	61,174	–	1,280,572	39%	5%
P J JOBE Executive General Manager, Cement	2007	699,160	162,697	38%	62%	18,070	12,800	–	11,653	66,501	48,735	–	1,019,616	27%	7%
	2008	746,577	269,446	39%	61%	18,070	13,400	–	12,443	73,459	73,432	–	1,206,827	34%	6%
K A MITCHELHILL Executive General Manager, Clay & Concrete	2007	624,003	94,732	25%	75%	18,070	12,800	–	10,400	59,250	45,040	–	864,295	23%	7%
	2008	672,267	383,227	69%	31%	18,070	13,400	–	11,204	67,068	67,071	–	1,232,307	42%	5%
W R BATSTONE Executive General Manager, Plasterboard	2007	526,866	244,015	65%	35%	18,070	89,351	–	8,781	59,183	43,557	–	989,823	35%	6%
	2008	583,384	290,231	56%	44%	18,070	98,936	–	9,723	64,851	64,847	–	1,130,042	37%	6%
B M TISHER Executive General Manager, Timber	2007	488,140	81,848	30%	70%	12,047	12,800	–	8,136	40,935	30,495	–	674,401	23%	6%
	2008	542,733	324,552	77%	23%	0	13,400	–	9,046	45,841	45,851	–	981,423	42%	5%
E S SEVERIN President, Boral Industries USA	2007	641,750	156,354	22%	78%	297,536	102,783	–	10,696	86,782	65,087	–	1,360,988	23%	6%
	2008	590,517	243,723	38%	62%	255,482	102,783	–	9,842	97,076	97,098	–	1,396,521	31%	7%
K M BARTON Chief Financial Officer	2007	623,137	144,320	37%	63%	18,070	12,800	–	10,386	53,739	41,774	–	904,226	27%	6%
	2008	684,267	292,569	52%	48%	18,070	13,400	–	11,404	63,739	63,741	–	1,147,190	37%	6%
M B SCOBIE General Manager, Corporate Services and Company Secretary	2007	443,345	96,696	37%	63%	18,070	75,187	–	7,389	45,067	32,757	–	718,511	24%	6%
	2008	471,829	182,083	47%	53%	18,070	80,018	–	7,864	48,200	48,191	–	856,255	33%	6%
R J TOWN General Manager, Human Resources	2007	397,107	75,811	32%	68%	18,070	67,226	–	6,618	36,756	27,674	–	629,262	22%	6%
	2008	433,117	154,406	43%	57%	18,070	73,453	–	7,219	41,394	41,404	–	769,063	31%	5%
A I WARBURTON General Manager, Corporate Development ^c	2007	107,823	24,000	36%	64%	6,023	4,267	–	1,832	5,765	4,252	–	153,962	22%	4%
	2008	428,267	136,845	43%	57%	18,070	13,400	–	7,138	20,100	20,091	–	643,911	27%	3%
Total	2007	5,209,973	1,296,370			442,096	402,814	–	86,868	498,576	377,494	–	8,314,191		
Total	2008	5,893,758	2,650,700			400,042	435,590	–	98,230	582,891	582,900	–	10,644,111		

^a Superannuation guarantee or defined benefit fund contributions. Voluntary superannuation contributions are included in salary and fees.

^b 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.

^c Andrew Warburton appointed General Manager, Corporate Development on 1 March 2007.

Remuneration Report

(vii) Details of Long Term Incentives Granted as Remuneration

The vesting profile and other details of LTIs being options and SARs granted as remuneration to the CEO and the above executives are:

	Options granted		Share Acquisition Rights granted		% vested in year	% forfeited in year	Financial year in which grant vests	Value yet to vest ^a			
	No.	Date	No.	Date				Min	Option Max A\$	SAR Max A\$	Total Max A\$
DIRECTORS											
Non-executive											
E A ALEXANDER	0		0								
J B CLARK	0		0								
E J CLONEY	0		0								
R L EVERY	0		0								
R A LONGES	0		0								
K J MOSS	0		0								
M R RAYNER	0		0								
J R WILLIAMS	0		0								
Executive											
R T PEARSE	700,000	29 October 2003			0%	0%	30 June 2007	0	158,760	0	158,760
Managing Director	350,000	29 October 2004	120,000	29 October 2004	0%	0%	30 June 2008	nil	0	733,200	733,200
and Chief Executive Officer	939,800	31 October 2005	247,036	31 October 2005	0%	0%	30 June 2009	nil	0	1,509,390	1,509,390
	2,083,500	6 November 2006	0		0%	0%	30 June 2010	nil	0	0	0
	2,694,000	6 November 2007	0		0%	0%	30 June 2011	nil	0	0	0
EXECUTIVES											
J M DOUGLAS	53,300	29 October 2003			0%	0%	30 June 2007	0	12,088	0	12,088
Executive General Manager,	25,900	29 October 2004	6,938	29 October 2004	0%	0%	30 June 2008	nil	0	42,391	42,391
Australian Construction	71,700	31 October 2005	18,849	31 October 2005	0%	0%	30 June 2009	nil	0	115,167	115,167
Materials	79,100	6 November 2006	21,623	6 November 2006	0%	0%	30 June 2010	nil	0	132,117	132,117
	103,100	6 November 2007	26,825	6 November 2007	0%	0%	30 June 2011	nil	0	163,901	163,901
P J JOBE	146,000	29 October 2003			0%	0%	30 June 2007	0	33,113	0	33,113
Executive General Manager,	56,200	29 October 2004	15,057	29 October 2004	0%	0%	30 June 2008	nil	0	91,998	91,998
Cement	82,900	31 October 2005	21,782	31 October 2005	0%	0%	30 June 2009	nil	0	133,088	133,088
	88,200	6 November 2006	24,097	6 November 2006	0%	0%	30 June 2010	nil	0	147,233	147,233
	108,400	6 November 2007	28,185	6 November 2007	0%	0%	30 June 2011	nil	0	172,210	172,210
K A MITCHELHILL	117,000	29 October 2003			0%	0%	30 June 2007	0	26,536	0	26,536
Executive General Manager,	59,100	29 October 2004	15,849	29 October 2004	0%	0%	30 June 2008	nil	0	96,837	96,837
Clay & Concrete Products	73,500	31 October 2005	19,330	31 October 2005	0%	0%	30 June 2009	nil	0	118,106	118,106
	77,900	6 November 2006	21,284	6 November 2006	0%	0%	30 June 2010	nil	0	130,045	130,045
	97,200	6 November 2007	25,269	6 November 2007	0%	0%	30 June 2011	nil	0	154,394	154,394
W R BATSTONE	128,500	29 October 2003			0%	0%	30 June 2007	0	29,144	0	29,144
Executive General Manager,	56,800	29 October 2004	15,218	29 October 2004	0%	0%	30 June 2008	nil	0	92,982	92,982
Plasterboard	71,700	31 October 2005	18,849	31 October 2005	0%	0%	30 June 2009	nil	0	115,167	115,167
	74,900	6 November 2006	20,465	6 November 2006	0%	0%	30 June 2010	nil	0	125,041	125,041
	94,100	6 November 2007	24,481	6 November 2007	0%	0%	30 June 2011	nil	0	149,579	149,579
B M TISHER	86,000	29 October 2003			0%	0%	30 June 2007	0	19,505	0	19,505
Executive General Manager,	41,300	29 October 2004	11,080	29 October 2004	0%	100%	30 June 2008	nil	0	0	0
Timber	49,400	31 October 2005	12,986	31 October 2005	0%	0%	30 June 2009	nil	0	79,344	79,344
	51,800	6 November 2006	14,166	6 November 2006	0%	0%	30 June 2010	nil	0	86,554	86,554
	69,300	6 November 2007	18,012	6 November 2007	0%	0%	30 June 2011	nil	0	110,053	110,053
E S SEVERIN	178,600	29 October 2003			0%	0%	30 June 2007	0	40,506	0	40,506
President,	78,100	29 October 2004	20,940	29 October 2004	0%	0%	30 June 2008	nil	0	127,943	127,943
Boral Industries USA	108,800	31 October 2005	28,603	31 October 2005	0%	0%	30 June 2009	nil	0	174,764	174,764
	117,000	6 November 2006	31,985	6 November 2006	0%	0%	30 June 2010	nil	0	195,428	195,428
	138,700	6 November 2007	36,082	6 November 2007	0%	0%	30 June 2011	nil	0	220,461	220,461
K M BARTON	98,500	29 October 2003			0%	0%	30 June 2007	0	22,340	0	22,340
Chief Financial Officer	44,200	29 October 2004	11,857	29 October 2004	0%	0%	30 June 2008	nil	0	72,446	72,446
	72,900	31 October 2005	19,162	31 October 2005	0%	0%	30 June 2009	nil	0	117,080	117,080
	77,200	6 November 2006	21,100	6 November 2006	0%	0%	30 June 2010	nil	0	128,921	128,921
	97,200	6 November 2007	25,269	6 November 2007	0%	0%	30 June 2011	nil	0	154,394	154,394
M B SCOBIE	101,200	29 October 2003			0%	0%	30 June 2007	0	22,952	0	22,952
General Manager,	44,200	29 October 2004	11,847	29 October 2004	0%	0%	30 June 2008	nil	0	72,385	72,385
Corporate Services	53,500	31 October 2005	14,054	31 October 2005	0%	0%	30 June 2009	nil	0	85,870	85,870
and Company Secretary	55,300	6 November 2006	15,115	6 November 2006	0%	0%	30 June 2010	nil	0	92,353	92,353
	67,600	6 November 2007	17,579	6 November 2007	0%	0%	30 June 2011	nil	0	107,408	107,408
R J TOWN	74,800	29 October 2003			0%	0%	30 June 2007	0	16,965	0	16,965
General Manager,	34,800	29 October 2004	9,335	29 October 2004	0%	0%	30 June 2008	nil	0	57,037	57,037
Human Resources	46,000	31 October 2005	12,098	31 October 2005	0%	0%	30 June 2009	nil	0	73,919	73,919
	48,300	6 November 2006	13,198	6 November 2006	0%	0%	30 June 2010	nil	0	80,640	80,640
	60,700	6 November 2007	15,788	6 November 2007	0%	0%	30 June 2011	nil	0	96,465	96,465
A I WARBURTON	37,300	29 October 2003			0%	0%	30 June 2007	0	8,460	0	8,460
General Manager,	17,200	29 October 2004	4,617	29 October 2004	0%	0%	30 June 2008	nil	0	28,210	28,210
Corporate Development	20,800	31 October 2005	5,459	31 October 2005	0%	0%	30 June 2009	nil	0	33,354	33,354
	21,600	6 November 2006	5,904	6 November 2006	0%	0%	30 June 2010	nil	0	36,073	36,073
	35,100	6 November 2007	9,119	6 November 2007	0%	0%	30 June 2011	nil	0	55,717	55,717

^a Maximum values yet to vest are based on the last sale price of Boral shares on 18 August 2008 of \$6.11.

Options

Details of the movement during the year of options held by the CEO and the above executives are:

	Balance at 1 July 2007 Number	Granted during the year as remuneration Number	Value of options granted ^a \$	Exercised during the year Number	Value of options exercised ^b \$	Lapsed during the year Number	Value of options lapsed/cancelled ^c \$	Balance at 30 June 2008 Number
Executive Director								
R T PEARSE	3,681,100	2,694,000	3,125,040	–	–	–	–	6,375,100
Executives								
J M DOUGLAS	200,152	103,100	119,596	–	–	–	–	303,252
P J JOBE	291,540	108,400	125,744	–	–	–	–	399,940
K A MITCHELHILL	261,980	97,200	112,752	–	–	–	–	359,180
W R BATSTONE	331,900	94,100	109,156	(74,530)	63,351	–	–	351,470
B M TISHER	228,500	69,300	80,388	–	–	(41,300)	(41,300)	256,500
E S SEVERIN	482,500	138,700	160,892	–	–	–	–	621,200
K M BARTON	292,800	97,200	112,752	–	–	–	–	390,000
M B SCOBIE	201,576	67,600	78,416	–	–	–	–	269,176
R J TOWN	203,900	60,700	70,412	(43,384)	46,855	–	–	221,216
A I WARBURTON	76,900	35,100	40,716	–	–	–	–	112,000

^a The fair value of options granted during the year calculated at the date of grant using a Monte Carlo simulation analysis is \$1.16 per option. The options expire on 6 November 2014.

^b Calculated per option as the last sale price of Boral shares on the date of exercise less the exercise price.

^c Calculated per option at fair market value of option on date of grant.

Share Acquisition Rights

Details of the movement during the year of SARs held by the CEO and the above executives are:

	Balance at 1 July 2007 Number	Granted during the year as remuneration Number	Value of rights granted ^a \$	Exercised during the year Number	Value of rights exercised \$	Lapsed during the year Number	Value of rights lapsed/cancelled ^b \$	Balance at 30 June 2008 Number
Executive Director								
R T PEARSE	367,036	–	–	–	–	–	–	367,036
Executives								
J M DOUGLAS	47,410	26,825	119,640	–	–	–	–	74,235
P J JOBE	60,936	28,185	125,705	–	–	–	–	89,121
K A MITCHELHILL	56,463	25,269	112,700	–	–	–	–	81,732
W R BATSTONE	54,532	24,481	109,185	–	–	–	–	79,013
B M TISHER	38,232	18,012	80,334	–	–	(11,080)	(41,328)	45,164
E S SEVERIN	81,528	36,082	160,926	–	–	–	–	117,610
K M BARTON	52,119	25,269	112,700	–	–	–	–	77,388
M B SCOBIE	41,016	17,579	78,402	–	–	–	–	58,595
R J TOWN	34,631	15,788	70,414	–	–	–	–	50,419
A I WARBURTON	15,980	9,119	40,671	–	–	–	–	25,099

^a The fair value of SARs granted during the year calculated at the date of grant using a Monte Carlo simulation analysis is \$4.46 per right. The SARs expire on 6 November 2014.

^b Calculated per right at fair market value of right on date of grant.

Boral



It's *not business as usual* at Boral





Boral has undertaken a trial within its concrete transport fleet designed to cut fuel costs and abate greenhouse emissions. Five of the company's concrete agitators have been turned into "hippie trucks", using compressed natural gas technology (CNG), rather than diesel. Preliminary results reveal that fuel costs for the trucks involved have been cut by almost 60 per cent, while greenhouse gas emissions have dropped by more than seven per cent.

For more information see
www.boral.com.au/buildsustainable

Boral at a Glance

Boral is an integrated resource-based manufacturing company with strong upstream reserves and downstream market positions.

Boral's overriding objective is to 'achieve superior returns in a sustainable way' in a financial, social and environmental sense.

Where we operate

We operate in Australia, the USA and in Asia. We have 717 operating sites and a further 148 distribution sites and offices across 12 countries.

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 number two in the markets in which we operate. We have strong downstream market positions servicing building and construction materials segments, including new residential construction markets, non-residential markets and major infrastructure projects such as roads, highways, subdivisions and bridges.

Our customers

Our customers include: developers, builders, architects, construction companies, government and councils and DIY consumers.

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About this report

Welcome to Boral's fifth Sustainability Report for the year ending 30 June 2008. This report outlines our sustainability strategy, approach, goals and provides information on our performance.

Each year we have sought to improve our report to better address information on the issues most relevant to Boral and our stakeholders. We have responded to the feedback from our readers and made the following changes to this year's report:

- Boral's material issues and respective targets are outlined in Sustainability Priorities (p s4 – s5). These sustainability priorities are consistent with the sustainability issues covered by our internally developed Boral Sustainability Diagnostic Tool (BSDT).
- The Managing Sustainability section includes our management approach to Human Resources, Health and Safety and Environment which was previously included in the respective sections of the report (p s6 – s11).
- A brief overview of Boral is provided in Boral at a Glance.
- A table summarising Boral's key sustainability performance data is included (p s43).

The non-financial content of this report has been independently assured by Net Balance in accordance with the AA1000 Assurance Standard (p s42).

We welcome feedback on our sustainability progress and reporting either through the "Contact Us" link on our website www.boral.com.au or by contacting Boral Corporate Affairs at CorporateAffairs@boral.com.au or (02) 9220 6300

It's *not business as usual* at Boral

In 2008, several extraordinary factors have coincided to create a particularly challenging business environment. These challenges include a spectacular downturn in US housing activity; 40 year low levels in NSW housing activity; dramatic increases in energy and other input costs; record high levels of concrete demand in Australia; and, the approaching introduction of an emissions trading scheme in Australia.

These challenges have called for a clear set of business responses, with overlapping implications for our financial and sustainability plans. For example, our focus on alternative fuel use is driven by both cost benefits and emission reduction imperatives; our need to reduce fixed costs during market downturns directly impacts employees and in turn local employment; and, supplying record levels of concrete demand in Australia requires increased quantities of quarry materials which can have local community and environmental impacts.

Despite operating in a challenging business environment that is *not business as usual*, we have delivered solid performance outcomes.

- Lost time injury frequency rate down 11% to **2.5**
- Employee turnover up from 21% to **23%**
- Mains water consumption down 4.6% to **2.82 billion litres**
- Greenhouse gas emissions up 1% to **3.79 million tonnes** of CO_{2-e}
- By-products and waste material re-used or recycled up 3.6% to **5.56 million tonnes**



“This past year has presented a number of challenges, it has not been *business as usual*. Despite this, we have progressed our sustainability programs and delivered a solid performance against target.”

Message from the Managing Director

Managing the business in a sustainable way

Working in a sustainable way or towards sustainable development requires balance. It's about balancing the social, environmental and economic needs of today with the needs of tomorrow. It's also about balancing the needs of our stakeholders. Not all of our stakeholders share the same point of view, but for us it's about understanding those views and ultimately working towards an outcome that we believe has the best chance of meeting today's needs without compromising the ability to meet the needs of tomorrow.

It's not business as usual

This past year has presented a number of challenges, it has not been *business as usual*. Despite this, we have progressed our sustainability programs and delivered a solid performance against target. The most significant challenge has been the substantial deterioration in **housing activity in the USA** which has seen activity decline by 45% over the past two years. This has required us to mothball plants and significantly reduce the number of employees in our US operations. Over an 18-month period some 1,400 employees in our US brick business and MonierLifetile joint venture business have been affected.

As in the USA, **market conditions in Australia** also presented challenges during the year. On the one hand, the protracted housing downturn required us to continue temporary plant shutdowns in bricks and roof tiles, and following year end, we suspended production at two of our New South Wales timber mills. On the other hand, record levels of concrete demand around the country, driven by strong infrastructure and major project work, have seen sustained labour shortages in some regions and a relatively high employee turnover of 23%. The strong demand for construction materials has also required us to maximise capacity and expedite consents for resource extraction.

In Queensland, we have converted around 130 million tonnes of un-consented resources to additional consented resources over the past two years. These newly consented **quarry resources** are now available for extraction over the next decade or two, which is critical to satisfy growing development needs. Particularly in Queensland, Boral is now seen as the industry leader in terms of both our quarry resource positions as well as the implementation of effective stakeholder engagement strategies to secure and strengthen those resource positions.

But it's not always smooth sailing. In Victoria, we have been working for several years to extend the approved reserves at our 50-year-old Montrose Quarry. Our original application for extension was made in 1999 and, following an extensive process of stakeholder engagement, we revised our submission, increasing the proposed buffer zones and reducing the workable reserves by around 50% to address potential environmental concerns. We continue to believe that we can find a balance between the needs of the environment, the community and government on this project and those of our customers and shareholders. However, after considerable investment in a rigorous Environment Effects Statement (EES) and with an expectation that the community and government would review the application and fully assess the EES, the application was rejected by Yarra Ranges Shire Council with virtually no debate. Several months later, in June 2008, the State Government made a decision not to call in the application for an independent review. We are disappointed with this outcome. It highlights, however, the challenges faced by resource companies striving to secure and protect state-significant resource positions to cost-effectively supply future construction demand and at the same time trying to address community and environmental needs.

Health and safety

Although **safety** can often be at risk of deteriorating when profits are under pressure, pleasingly we delivered an 11% improvement in lost time injury frequency rate (LTIFR) to 2.5 and an 11% reduction in hours lost. Plasterboard delivered an outstanding result of zero lost time injuries and hours lost.

Unfortunately, our overall safety performance was overshadowed by the tragic death of an employee in a heavy vehicle accident in South Australia. We were also disappointed that contractor LTIFR remained steady at 5.7 for the year, but our resolve is strong to bring contractor safety performance in line with employee performance and to eliminate all accidents, especially serious accidents that can result in fatalities.

Climate change

In addition to managing the impacts of cyclical markets and balancing economic, community, environmental and employee needs across our 717 operating sites, the past year has required considerable focus on managing the physical and regulatory risks of climate change.

On the north coast of New South Wales and in Queensland extreme wet weather conditions slowed operations and construction activity during summer months. The region around our engineered flooring plant in Murwillumbah experienced floods, but we had anticipated the physical risk of increased flood activity in designing our new plant and as a result the plant was spared. In other regions around Australia, drought conditions persisted and we continued to focus on reducing our reliance on mains **water consumption**. Through enhanced on-site water capture and re-use, the implementation of recycling processes and generally more efficient use of water, we reduced our mains water consumption by 4.6% on a comparative basis to 2.8 billion litres.

Managing emissions and emissions trading

The move to a carbon emissions trading scheme (ETS) in Australia has been gathering significant pace. Whilst Boral supports the move towards a lower CO_{2-e} global economy, and as such, the adoption of relevant policies by the Australian Government, we have been very busy lobbying the Government both directly and through industry associations, around specific design aspects of an ETS.

Any scheme will impact the way we price our products, how we invest our capital, how we compete with domestic and with offshore competitors, and ultimately how we abate our emissions. For Boral, the most critical issue is to ensure that the cement industry is acknowledged as an emissions-intensive trade-exposed industry and that its competitiveness is preserved following a move by Australia to introduce an ETS for the industry ahead of Australia's key trading partners adopting similar carbon trading regimes.

The Australian cement industry is relatively environmentally efficient, with total emissions intensity per tonne of cement, including blending, currently 0.77 tonne of CO_{2-e} per tonne of cement. This compares to 1.10 tonne of CO_{2-e} per tonne of cement for cement imported from China. It is critical that there are mechanisms in place to ensure that domestically produced materials do not have to bear much greater "costs of carbon" than imported materials, so that Australia's industry is not forced offshore, taking its emissions with it.

In its Green Paper on an Australian Carbon Pollution Reduction Scheme, the Federal Government proposes to provide assistance to the most heavily intensive trade-exposed activities through a free allocation of 90% of their required permits. The Federal Government has also proposed to limit the total amount of free permits to a level of 30% of the national cap. We are concerned about the possible reduction in the level of free permits allocated to the trade-exposed, emissions-intensive industries over time and the impact this will have on the competitiveness of Australia's cement manufacturing. This impact will of course be exacerbated by the inevitable increase in the cost of permits over time. We recognise the challenge that the Government has in designing an effective scheme that encourages the required emissions reductions but does not create unintended economic impacts and "carbon leakage" offshore.

There are many views on how a scheme could best balance often competing environmental and economic demands. The Business Council of Australia in its paper: *Modelling Success: Designing an ETS that works*, has called for the provision of full compensation to trade-exposed emissions-intensive industries for emissions above a threshold of emission costs of 3-5% of value add (profits plus labour) until comparable carbon constraints are introduced for

competing economies. This option ensures Australian business shares the economic burden but does not unfairly disadvantage business or the economy as we introduce an ETS ahead of trading partners.

In addition to lobbying Government to protect Australia's cement industry, we have also been actively involved in discussions with Government to make sure that we have an efficient, cost-effective and meaningful National Greenhouse Emissions Reporting System.

Internally, we continue to develop our climate change strategies. Boral's Energy & Climate Change Technical Working Group continued to coordinate and monitor activities across the Company, reporting regularly to the Management Committee and Boral's Board. This year we recorded 3.79 million tonnes of greenhouse gas emissions from Boral-owned operations, which was a 1% increase on the prior year on a comparative basis. Whilst emissions from our US business and in Clay & Concrete Products in Australia decreased due to lower production volumes, emissions from construction materials operations in Australia increased due to market demand growth.

Our current goal is to at least hold absolute emissions steady and to offset any increase in emissions associated with market demand growth by reducing the emissions per tonne of production. Whilst it is early days, our forward projections estimate that Boral's emissions could increase from current levels of 3.8 million tonnes to around 4.6 million tonnes per annum by 2020, assuming that our business grows in line with expected market demand growth. We have, however, identified around 35 major prospective abatement projects across Boral that could be viable, depending on the cost of carbon and available technologies. These longer-term aspirational plans focus on renewable energy, carbon capture and

storage, and possibly a timber plantation strategy. Together these abatement projects could significantly reduce our 2020 carbon emission level compared to "business as usual". Whilst we await the Government's White Paper, we are continuing to work on the "low hanging fruit" across the divisions, including energy efficiency gains and increased use of alternative fuels and materials.

Managing waste

Substitution of virgin material with **waste** or by-product materials that need less processing is one way we are reducing the emissions intensity of our products. It is also helpful because we are reducing the amount of waste material going to landfill and reducing our use of virgin quarry reserves. Over the past year we re-used or recycled some 5.6 million tonnes of our own or other people's waste or by-products, which is a 4% increase on last year. Opportunities for further use of recycled or waste materials in Boral products continue to be explored in a number of innovation initiatives currently underway.

I hope that this 2008 Sustainability Report helps our stakeholders to better understand the challenges that we face and how we are responding to those challenges. We welcome your feedback on specific issues and general performance.



Rod Pearse CEO and Managing Director

The Boral Sustainability Diagnostic Tool (BSDT) was developed in 2000/01 and subsequently refined in collaboration with an independent sustainability expert and with reference to the Global Environmental Management Initiative (GEMI), the Global Reporting Initiative (GRI) and the Social Venture Network.

Sustainability Priorities

The Boral Sustainability Diagnostic Tool (BSDT) assists Boral and its operating businesses with the adoption of business practices consistent with the principles of sustainable development. In 2007, a number of refinements were incorporated, reflecting recent developments that have occurred in the overall understanding and application of sustainability principles and how these apply to Boral. The BSDT comprises 20 sustainability elements. The first seven elements which focus on "Sustainability Management" are covered on page s7. The next 13 elements, which are outlined in the table below, are considered to represent Boral's sustainability performance. A performance assessment against each element is undertaken across Boral's businesses every two years, with performance graded Level 1 (compliance/reactive), Level 2 (proactive), Level 3 (industry-specific best practice), or Level 4 (world's best practice) for each element. We aim to reach and sustain a standard of industry-specific best practice (Level 3). The latest BSDT assessments were completed in October 2007 with an overall score of 2.95 being achieved.

	Our goals/targets	Our performance in FY2008	Current BSDT score	
Human Resources	Health, safety and wellbeing	25% improvement in LTIFR and % hours lost for employees and LTIFR for contractors over the average results for prior three years Zero fatalities	Employee LTIFR of 2.5, down 11% on FY07 (down 26% on past three year average) and % hours lost of 0.08 improved by 11% on FY07 (down 23% on past three year average) One fatality	2.9
	Employee and labour relations	To have the best people in our industries To maximise workforce satisfaction, productivity and retention	91% of employees are engaged or highly engaged, up 1.5% Obtained 2008 EOWA Employer of Choice for Women status Staff turnover 23% up from 21%	3.0
	Communications, awareness and training	To ensure our people have the appropriate training, knowledge and skills to deliver on our sustainability objectives	2,494 employees participated in training programs offered through Boral's global learning teams	3.0
Environment	Energy conservation and climate change	Reduce emissions per unit and offset Boral's increases in absolute emissions as a result of market demand growth	CO _{2-e} emissions up 1% ¹ on last year to 3.79 million tonnes	2.8
	Water conservation, extraction and protection	Reduce mains water consumption	Mains water used down 4.6% ¹ on last year to 2,820 million litres	2.9

Social Responsibility	Waste and resource management, recycling and re-use	Minimise waste from our operations and increase waste re-used and recycled	Re-used or recycled between 43% and 100% of Boral's operations' production waste Estimated 5.6 million tonnes of waste and by-products recycled or re-used up 4% on FY07	3.0
	Land protection, remediation and rehabilitation	Where possible, rehabilitation is part of ongoing resource extraction operations Remediate contaminated sites to standards internationally acceptable for the site purpose	Ongoing maturing of quarry end use activities, eg Deer Park quarry landfill operation, now a waste business with a landfill gas offtake Majority of contaminated sites completed by 2003	3.0
	Environment and ecosystem protection	Protect and, where possible, enhance biodiversity values at and around our facilities	15,050 trees/stems planted and 63,700 m ² weeded and regenerated through Living Green Projects	2.9
	Community relations and engagement	Maintain the support and goodwill of communities surrounding Boral's activities through engaging and consulting on relevant issues Make a meaningful contribution to the social and economic wellbeing of our communities while providing value to our operations through support of business objectives	Formal community consultation at key operational sites \$591,500 invested in eight key community programs \$443,000 to Juvenile Diabetes Research Foundation through employee fundraising efforts in Australia and the USA 608 volunteer days across 14 conservation projects	2.9
	Business ethics and corporate governance	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	1,550 staff undertook online Trade Practices Act training in Australia and 902 staff attended face to face training 1,739 employees in the US completed Ethics and Compliance online training 97 employees dismissed for serious breach of policy	2.9
	External relations and communications	Understand stakeholders' views on Boral's sustainability priorities and performance and take stakeholder views into account Provide information back to our stakeholders on sustainability matters	Participated in the Carbon Disclosure Project (CDP6) Government submissions and dialogue on emissions trading and GHG inventory reporting Feedback from key stakeholder groups on our 2007 Sustainability Report used to improve this report	3.0
Marketplace and Supply Chain	Strategic sourcing and supply chain	Manage Boral's supply chain in a sustainable way including consideration of environmental, health and safety, and social standards	Supply Chain Sustainability Survey for all strategically critical suppliers implemented Midland Brick awarded 2008 HIA GreenSmart award for Resource Efficiency (for brick recycling from customers' sites)	2.8
	Sales and marketing	Provide customers with better value and service than our competitors Consult and collaborate with customers in the development of sustainable products	Participated in the development of product life cycle analysis Perception study of 682 consumers shows a 28% increase in the number of people who perceive Boral to be "environmentally responsible"	2.7

Target 3.0

¹ For Boral's fully owned businesses in Australia, the USA and Asia on a comparative basis.



Underpinning Boral's objective of "superior performance in a sustainable way" is a robust corporate governance framework and management system.

Managing Sustainability

Boral's Board of Directors is accountable to shareholders for appropriately overseeing all aspects of 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 businesses and line managers in managing their operations 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** (p 32 – 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 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 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, heads of functional departments and the Managing Director regularly report to the Board on progress and performance as it relates to health and safety, climate change and 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 functional General Managers, is responsible for delivering Boral's sustainability objectives.

Day-to-day management of sustainability matters is integrated into 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 s20.

Our Values

Boral's Values describe how we do things at Boral and influence our day-to-day 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.

We know that our Values are being adhered to by observing people's behaviour. Our Values are incorporated into annual performance reviews to assess behaviour or workplace style and effectiveness. Examples of expected

Boral's Values

Leadership

Creating and contributing to an environment in which our people can excel through a management style that is participative, encouraging, demanding and supportive.

Respect

Ensuring the impact and integrity of our operations and actions on employees, customers, the communities and environment in which we operate, meet both the spirit and letter of the law and community expectations.

Focus

Making critical choices on priorities, making timely, insightful fact-based decisions, and being determined to pick the right things and do them well.

Performance

Getting on with the job, setting challenging goals and standards, measuring results, providing honest feedback on individual contribution and rewarding achievement.

Persistence

Striving to be the best at what we do, being relentless in our pursuit of improvement and of increasing targets, never being satisfied with the status quo.

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 companies and employees in the performance of their duties. The Boral Management Guidelines were extensively reviewed in 2007 as part of a triennial review process.

Boral Sustainability Diagnostic Tool (BSDT)

The background and purpose of the BSDT, as well as the latest scores for the 13 performance elements of the BSDT, are outlined on pages s4 – s5.

The BSDT assessment process serves to reinforce acceptable standards, train managers in "best practice" requirements and identify areas of weakness. The BSDT is used to monitor progress and set improvement targets.

The latest 2007 assessment process was undertaken with an external sustainability expert. A total of 57 BSDT assessments were completed across our operations in Australia, the USA and Asia.

During 2008, the criteria outlined for each BSDT performance level (scores of 1 to 4) will be independently verified by Net Balance to ensure it is consistent with best practice. It is proposed that the next BSDT assessments in 2009 will also be independently verified.

The approach of Boral's businesses to managing sustainability is assessed based on the first seven elements of the BSDT. These seven elements are:

- Scope of commitment;
- Management systems;
- Accountability and performance management;
- Budgeting and financial management;
- Risk management – new business and/or new development, plant, equipment;
- Compliance review and reporting; and
- Continuous improvement.

Our target is to reach and maintain a standard of industry-specific best practice (BSDT score of 3).

The BSDT scores and some of the requirements to achieve an industry best practice score of 3 for each of the first seven elements are included in the accompanying table.

Our management approach to our people

Most of our Human Resources (HR) activities are managed within Boral's 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 HR processes on a daily basis. Boral has 55 specialist HR staff working within Boral's divisions, most of which are actively involved in business management processes to ensure appropriate support is provided to line managers to achieve business plans and objectives.

To achieve an industry specific 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	Latest BSDT score
Scope of commitment	<ul style="list-style-type: none"> • Measurable sustainability targets are incorporated for all aspects of the business into business plans • Drivers for sustainability are identified through analysis of products and services 	3.2
Management systems	<ul style="list-style-type: none"> • Stakeholder input is used in the assessment of effectiveness of management systems • All management systems undergo regular independent review 	2.9
Accountability and performance management	<ul style="list-style-type: none"> • Managers' performance assessments and rewards systems are linked with sustainability objectives 	3.0
Budgeting and financial management	<ul style="list-style-type: none"> • Business plans, budgets and reports include substantial detail on sustainability performance 	3.1
Risk management	<ul style="list-style-type: none"> • Sustainability risks are considered in decision making 	3.0
Compliance review and reporting (CRR)	<ul style="list-style-type: none"> • Sustainability performance is regularly reported externally • CRR is integrated with performance management and business planning systems 	3.1
Continuous improvement	<ul style="list-style-type: none"> • Plans and processes are reviewed regularly to incorporate new technologies and best practice 	3.1

Target 3.0

Managing Sustainability

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; coordinated programs such as MBA and graduate recruitment; indigenous employment; management of expatriates; and HR planning for the Boral Group.

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 conditions for all people involved in our business including contractors, visitors and the general public. We place the same level of importance on managing safety in partly owned businesses, such as joint venture operations which are not managed directly by Boral, as we do on fully owned operations.

We require all contractors to comply with Boral's health and safety requirements and they are also subject to Boral's internal audit program.

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 what is expedient. This encourages our employees to take personal responsibility for health and safety issues and to share information.

Responsibilities

Over 90 full-time equivalent health and safety professionals work in our divisions. In addition, Boral has a corporate health and safety function that provides advice and support to divisions. The corporate function assists in safety management planning and Boral-wide or cross-divisional initiatives and reporting systems.

Management system

Boral's Health and Safety Management System is designed in accordance with the scope and diversity of Boral business function. We have over 15,928 employees and some 5,700 contractors working across 717 operating, administration and distribution sites globally, some accommodating as many as 700 people and others with as few as two employees. Many of our contractors and some employees also work beyond Boral's own sites – our truck drivers, roof tilers, plasterers, concrete placers and asphalt crews work on our customers' residential, commercial and infrastructure projects.

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.

Our Health and Safety Management System embodies the requirements contained within Australian Standards 4801:2001 and 4804:2001.

Boral has a formal **Health and Safety Policy**, which applies across all of Boral businesses. 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) are a key component of the Health and Safety Management System. BPEs are designed to enable each business to develop health and safety processes that address individual requirements while ensuring industry best practice in critical safety areas across the organisation. Boral's BPEs (shown in Figure 1), together with divisional health and safety management systems, cover all aspects of health and safety management which are currently required by legislation and Company policies, and cater for those likely to become of concern in the future. Boral's BPEs were last revised and updated in 2005/06.

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

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.



and equipment; and working at heights. These protocols are integrated into Boral's Health and Safety Management Systems.

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 Boral's Managing Director's and Executive General Managers' variable remuneration 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.
- On a monthly basis, the Management Committee reviews employee and contractor safety performance including serious and potentially serious incidents.
- 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 program includes corporate reviews against Boral's BPEs as well as a range of independent third party audits and assessments. A range of assessments are completed throughout Boral's businesses each year, including the following types of audits and assessments:

- assessments of electrical safety management;
- management systems audits;
- physical hazards audits;
- audits of contractor safety management; 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 are: engagement of Boral's people, communication and training.

Engagement is aided by behavioural safety programs which focus on changing employee/contractor behaviours and include such activities as "safety conversations". Hazard identification and corrective actions are closely monitored and communicated to ensure targeted corrective actions are taking place within targeted time periods.

Communication and consultation with our employees on health and safety is achieved through safety committees at larger sites and via managers consulting directly with their people at smaller sites. Boral has some 60 formal health and safety committees, with approximately 90% of Boral's workforce represented on these joint management-employee committees. Safety committees take on a number of roles including hazard identification, monitoring corrective actions, reviewing safe working practices, and overseeing health, safety and ergonomic considerations before purchase of materials and equipment.

Divisional safety alerts are broadcast to communicate serious accidents, near misses and corrective actions.

In some cases where cross-divisional learning opportunities exist, particularly in relation to serious and potentially serious accidents, safety alerts are communicated throughout Boral. Responsibilities are assigned against corrective actions to ensure tracking and monitoring through to completion.

Boral has a health and safety leadership training program and site-specific safety training programs for employees and contractors which include consultation, risk management, safe work practices, emergency procedures and first aid.

Boral's divisions maintain staff training registers, which are monitored to ensure ongoing training needs are met.

Our management approach to environment

Responsibilities

Most environmental responsibilities are managed within Boral businesses with over 25 full-time equivalent environmental professionals working across Boral's divisions.

Boral also has a corporate Environmental Services department which consists of five full-time environmental professional staff. This department provides advisory support services to all divisions globally and undertakes a governance role, including auditing the businesses, reporting back to divisional management, the Managing Director and the Board.

Management system

Boral's approach to environmental management is to develop business level environmental management systems based on corporate standards. Boral's Environmental Management System (EMS) is based on the International Standard ISO14001 "Environmental Management System – Specification with guidance for use".

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

Boral's Environmental Management System



Managing Sustainability

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. More specifically, we are committed to:

- reducing GHG emissions from our processes and facilities;
- protecting and, where possible, enhancing biodiversity values at and around our facilities;
- remediating our contaminated sites;
- complying with environmental legislation; and
- continual improvement of our performance with regard to energy, water, waste, pollution and the use of virgin materials.

Boral's **Environmental Management Procedures** include tools to be used by Boral businesses to develop and implement their own EMS, as set out in the Boral Environmental Policy and include EMS System Procedures and Environmental General Procedures.

The EMS System Procedures are designed to interpret ISO14001 for Boral users, while the Environmental General Procedures are designed to set out Boral's particular operational requirements, to assist Boral's businesses to develop and maintain their own EMS.

Boral Roofing at Wyee and our cement facility at Waurn Ponds maintain formal ISO14001 certification. Boral's largest Division, Australian Construction Materials, has also developed an ACM specific EMS which is currently being rolled out across the regional businesses.

Audit and assurance programs are an important part of Boral's EMS. Details of Boral's environmental audit and assurance programs undertaken during 2007/08 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, focus on priority areas covered in Boral's Environmental Policy as well as those areas of importance specific to individual businesses, and include targets and action plans.

Compliance review and reporting
The corporate environmental services team undertakes formal reviews of divisional environmental performance, reporting back to the Management Committee and the Board on a regular basis.

Improved collection and management of environmental data, particularly energy/ GHG emissions, water and waste, has been a focus across Boral's businesses in recent years. Independent verification of environmental data, which has also been a focus, takes place as part of Boral's annual sustainability reporting as well as a number of government water, energy and emissions 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 FY2008 are covered on page s18.

Internal communication on environmental best practice is achieved through a number of channels:

- Boral hosts an annual internal two-day environmental conference for some 45 employees to share environmental best practice learnings across the Company.
- Boral's annual Awards for Excellence include an Environment and Community award which recognises best practice across the organisation.
- Success stories and environmental updates are communicated through an internal quarterly environmental newsletter as well as Boral in the News and Boral's intranet.

External sustainability measures

Boral was awarded a "Commendation for excellent report structure" in the 2007 **Association of Chartered Certified Accountants' (ACCA)** awards for sustainability reporting.

At the 7th **Australian Sustainability Awards** in November 2007, Boral received the Special Award for Corporate Governance. Boral was recognised for having good governance that leads to sound, sustainable business practices.

Boral took a leave of absence in the Corporate Responsibility Index (CRI) in 2007 after achieving Gold star rankings in 2005 and 2006. Boral has participated in the annual voluntary, non-prescriptive framework for corporate responsibility in Australia and New Zealand since it commenced in 2003 and will continue in 2008. The CRI is a project of St James Ethics Centre and validated by Ernst & Young.



7TH AUSTRALIAN
SUSTAINABILITY AWARDS



FTSE4Good



Developing our leaders in a developing country

Over the past four years, Boral's Indonesian construction materials business, Jayamix, has worked persistently to improve its business culture. Focusing on management systems and training, a culture now exists where people are aware of their safety and environmental responsibilities and work in cross-functional teams to produce the required results. Jayamix has moved forward in systematically developing and training its leaders including in environmental management.

The business expects to receive full accreditation to the ISO9000 quality standard in 2008 as a result of its improved management systems. The success of this journey has also been demonstrated in FY2008 by the outstanding safety results achieved:

- One LTI compared with six in the prior year and eight in FY2006.
- LTIFR of 0.31 compared with Boral's overall result of 2.5.
- Percentage hours lost down from 0.04 to 0.02, compared with 0.08 for Boral overall.

Despite these strong results, which have been better than expected, Jayamix acknowledges it still has a long way to go in its safety and sustainability journey.



Boral has been included in the **FTSE4Good Index** since March 2005, demonstrating that we continue to satisfy the FTSE4Good independent selection criteria. The FTSE4Good is an equity index series, created by the global index company FTSE Group, which has been designed to measure performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies. Companies included in the index must meet stringent and evolving social, environmental and ethical criteria.

In 2007, Boral was named as Best in Class by **Storebrand Investments SRI** for environmental and social performance in the global construction materials industry.

Since 2006, Boral has participated in the **Carbon Disclosure Project (CDP)** and has been included as one of 15 members of CDP's Climate Disclosure Leadership Index (Aus-NZ), comprising the best responses among ASX 100 and NZX 50 companies. CDP is the most comprehensive survey regarding the potential impacts presented by climate change and is sponsored by international institutional investors with a combined \$57 trillion of assets under management.

Ethical standards and compliance

Boral's **Code of Conduct** states 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.

We take adherence to legal and ethical standards seriously, with 97 Boral employees dismissed during 2007/08 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 and during 2007/08 10 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 around these matters.

In addition, internal risk management processes include consideration of "high risk" countries¹. 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 around political donations;
- restrict and ensure controls around facilitation payments; and
- restrict the giving and receiving of gifts.

Boral's joint venture business, Lafarge Boral Gypsum Asia, which operates in countries including those earlier identified as "high risk" countries, 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 for more information.

Boral derives around 3% of revenues from "high risk" countries.

¹"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).



We recognise that our people are our most valuable assets. We aim to 'have the best people in our industries', to provide a safe and healthy working environment and to ensure our people have the appropriate training, knowledge and skills to deliver on our objectives.

Our People

To "have the best people in our industries", it is essential that we attract, develop, engage and retain the best people at all levels. Our HR strategies are geared towards meeting our internal needs and addressing external challenges. The external challenges that we face include continued low unemployment and skills shortages in Australia, and an ageing workforce, resulting in a high employee turnover and in some businesses difficulty finding suitably experienced candidates. On the other hand, our USA operations have been impacted by a significant deterioration in market conditions, resulting in a loss of around one-third of the workforce over the past two years, including joint venture employees.

We are committed to providing a healthy and safe work environment as evidenced by our ambitious continual improvement in safety targets. This year we are pleased to have exceeded our overall LTIFR target for employees, and also delivered an exceptional zero LTIFR in our Plasterboard division, which is testament to strong leadership in safety and systematic processes in place.

Our workforce

As at 30 June 2008, Boral had 15,928 full-time equivalent employees, compared with 16,194 last year. A decrease in employee numbers in building products businesses in the USA, due to the significant market downturn, was partly offset by higher employee numbers as a result of the acquisition of construction materials businesses in Oklahoma in August 2007.

Around 36% of Boral's employees work in our offshore operations.

In addition to our permanent Boral workforce, there are around 3,400 people working in joint venture operations in Australia, the USA and Asia, and we engage around 5,700 full-time equivalent contractors in a range of activities including transport operations, contract maintenance, roof tiling, plasterboard installations, concrete placement and various professional services such as finance and information technology.

Employee turnover

Staff turnover in Australia during 2007/08 was 23%, which is in line with the prior year. The sustained high turnover reflects the continued tight labour market, particularly in Western

Australia, where the resource boom is resulting in a very competitive skilled labour market. Staff turnover in the USA was 29%, up from 24% in the prior year, reflecting the protracted US housing downturn. In Asia, turnover was 20%.

During 2007/08, our turnover rate was highest for employees under the age of 30, with 35% of this age group ceasing their employment with Boral. Despite only 19% of current employees being under the age of 30, Boral's businesses are focusing on developing retention strategies for younger employees.

Absenteeism for Boral's Australian operations in 2007/08 was 2.3%, which is broadly consistent with last year.

The average length of service of employees in Australia decreased to 7.8 years, from 8.4 years last year. In the USA, average length of service increased to 10.2, while in Asia, average length of service increased from 4.3 to 4.6 years. The proportion of all Boral employees with 11 or more years of service was down marginally this year to 26%, from 29% last year.

Figure 2
Employees by region

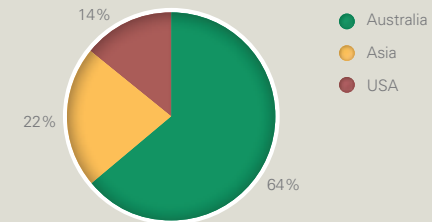


Figure 3
Employees by division

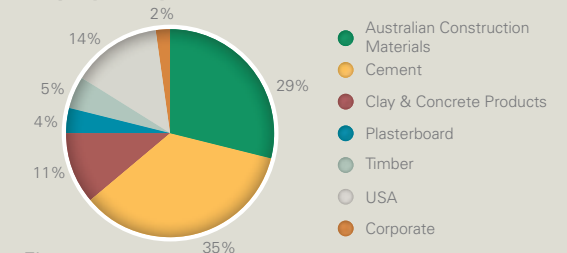
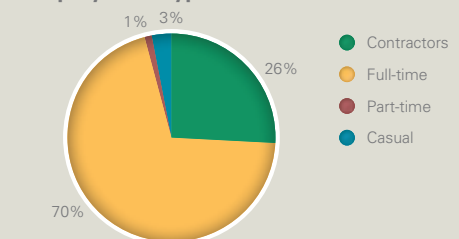


Figure 4
Employment type



Diversity

Boral has a formal Diversity Policy which states our commitment to operating in a manner that exhibits respect for differences among employees, as well as customers and communities. Diversity is the variety of skills, abilities, experiences and cultural backgrounds that enable people to achieve superior business and personal results. We understand that diversity brings many benefits and are increasingly encouraging greater diversity within our workplaces.

Women represent 13% of Boral's employees at 30 June 2008, which is consistent with our industry sector, and compares with 12% in the prior year.

Women occupy 67% of clerical positions and 31% of sales positions. In contrast, men account for 97% of Boral's trade and plant/transport roles. Women occupy 9% of Boral's management positions, which is consistent with last year.

In 2008, Boral was recognised as an Employer of Choice for Women by the Federal Government's Equal Opportunity for Women in the Workplace Agency (EOWA). The Employer of Choice for Women status recognises Boral's initiatives to create equity for women, and among other things, that its recruitment and promotion processes are merit-based and transparent.

Some of Boral's initiatives, which contributed to this recognition as an Employer of Choice for Women, include: Boral's parental policy, "Springboard for Women" training program and other Boral training programs; Boral's Health and Wellness Program (BWell); our family friendly programs such as Boral's Outward Bound Family Re-Discovery program; the Boral Employee Assistance

Program (BEAP); our community partnership activities; as well as our Indigenous employment and community relations programs.

Boral has had an Indigenous Employment Strategy since 2003 as part of its commitment to the employment of Aboriginal and Torres Strait Islander people. In partnership with the Federal Government's Corporate Leader Program, and managed by the Boral Indigenous Employment Manager, this strategy has seen a continual increase in the number of Indigenous people applying for and being successful in obtaining jobs with Boral. Currently, Boral has a Structured Training and Employment Program (STEP) in place with the Federal Government (DEEWR) with the aim of employing 50 new Indigenous employees in current vacancies before 2009. Boral has also agreed to support the NSW Government's Aboriginal Job Compacts which is an initiative 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 connect with local Aboriginal communities, schools and TAFE Colleges to assist in improving community awareness of local employment opportunities. Through these programs 25 Indigenous people have been recruited into the Company in 2007/08 and another 13 are working indirectly as Boral contractors.

Boral also works extensively on the retention 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 Indigenous trainees in plasterboard installation at Worimi Land Council in

conjunction with Hunter TAFE and is currently in the process of sponsoring a group of Aboriginal student leaders from Western Sydney high schools on an Outward Bound Leadership Program.

Personal development and training

An important part of Boral's people strategy is to ensure our people have the right skills and capabilities to perform their jobs and develop their careers. 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 front-line employees as well as contractors is managed within Boral's divisions. Boral's learning and direction and support for the development of Boral's managers and future leaders is provided by Boral's Organisational Development team.

During 2007/08, 2,494 employees participated in a comprehensive range of training programs offered through Boral's global learning teams. 228 employees in Australia, Asia and the USA participated in Boral's formal leadership development programs. (See Figure 9.)

Boral also developed a formal Asia People Development Plan in 2007, to attract, develop and retain local people, identify future leaders and enhance management talent.

In 2007/08 we focused on the development of leadership programs that can be tailored to suit individual country requirements and the establishment of "train the trainer" processes.

Figure 5
Employees by occupation

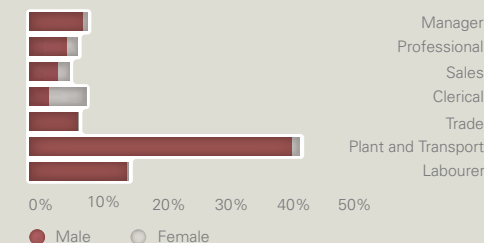


Figure 6
Turnover in Australia by age

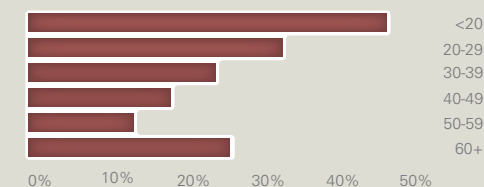


Figure 7
Age profile of Boral's employees

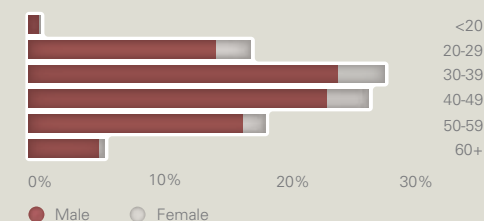
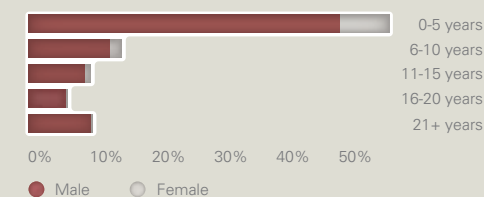


Figure 8
Length of service of Boral's employees



Our People

All of Boral's businesses conduct safety training, which is complemented by Boral's centrally administered leadership program, Leading Health and Safety. This program focuses on safety culture and leadership. A total of 330 Boral employees participated in this program in 2007/08.

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 operators, supervisors and managers.

During 2007/08, 350 statements of attainment and 123 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 171 in Australian Construction Materials.

Employee engagement

Boral conducts independent employee satisfaction surveys on an annual 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 2007/08, employee surveys were conducted in several of the business groups in Australia. A total of 2,550 employees responded, representing a 76% response rate. The survey results indicate that our employees in Australia continue to be highly engaged and satisfied with working at Boral. Consistent with last year, 91% of Australian employees are engaged with 43% of employees highly engaged.

While there have been improvements in perception around safety, 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. These issues are indicative of the needs of our increasing numbers of Generation X and Y employees. Feedback sessions take place with our employees at a local level to discuss the results and likely actions in key areas.

In Asia, we engage employees directly through a number of communication channels that promote two-way exchange of information and employee views. For example, in Indonesia over 33 "Morning Talks" or tool box meetings take place per week to deal with issues of concern to business and employees.

Employee relations

The past few years have seen us develop an understanding of the practical application of the Work Choices industrial system in Australia. We are, however, preparing ourselves for another fundamental change to industrial legislation – "Forward with Fairness", as part of the current Labor Government's industrial relations reforms. While the ongoing flux in legislation brings with it constant challenge to educate and adapt, our underlying employee relations strategy has remained constant and firmly based on engaging directly with our employees.

All of Boral's Australian non-salaried employees work under registered industrial instruments. In broad terms, approximately:

- 80% are regulated by Union Collective Workplace Agreements;
- 3% are regulated by a Notional Agreement Preserving a State Award;
- 10% are regulated by Employee Collective Workplace Agreements; and
- 7% are regulated by Australian Workplace Agreements or Individual Transitional Employment Agreements.

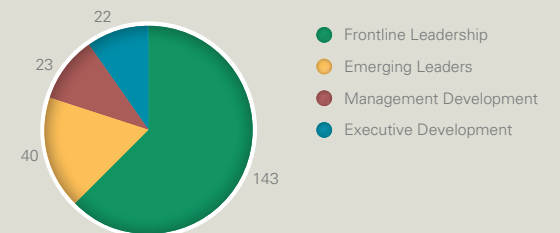
We estimate from our records of union payroll deductions that in Australia 32% of our non-salaried employees are financial members of a trade union and in the USA 18% of Boral's employees are members of a trade union.



In 2008, Boral was recognised as an Employer of Choice for Women by the Federal Government's Equal Opportunity for Women in the Workplace Agency (EOWA).

Some of Boral's initiatives which contributed to this recognition include Boral's parental policy and the "Springboard for Women" training program, pictured above.

Figure 9
Number of staff participants in Boral's leadership development programs in 2007/08



Communicating and celebrating sustainability outcomes

Planned and systematic approaches to communications have been developed within Boral's divisions to raise awareness and ensure employees and contractors have access to sustainability information.

Boral's sustainability priorities and achievements are communicated frequently via several channels including Boral in the News, which is distributed quarterly to employees, and available for external stakeholders via Boral's website. Boral's intranet, known as Boral OnSite, together with divisional newsletters provide employees with more detailed and divisional-specific information.

Boral's internal Environment Matters quarterly newsletter is distributed to employees and businesses informing them on a range of issues including those relating to climate change, water, waste, biodiversity and the latest environmental cases or new legislation. Its primary focus is to share learnings and knowledge across divisions.

In addition to communicating achievements and sharing information across divisions on an ongoing basis, the annual Boral Awards for Excellence recognise and celebrate the best achievements in the Company, across several categories including, Safety, Environment and Community and People. With over 100 submissions received each year for the past 11 years, the Awards are highly regarded within Boral. For a listing of the 2008 finalists and winners refer to www.boral.com.au/sustainability.



Managing and rewarding our people

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; 37% are in salaried staff positions with an annual bonus linked to individual performance; and 5% are in "total cost" salaried positions which involves an annual short-term incentive tied to individual performance objectives and financial performance of the business.

Boral's remuneration practices are designed to be market-competitive and to use variable at risk remuneration to reward good performance. Details of Boral's remuneration policy and structure for "total cost" salaried positions, is included in the Remuneration Report found on pages 42 to 49 of the 2008 Annual Review.

Performance reviews are carried out annually for salaried and management staff (38% of all Australian employees in 2008) as part of our annual remuneration reviews. Performance reviews consist of a formal two-step performance management process, incorporating identification of individual development needs, as well as assessing performance against pre-agreed individual objectives.

Boral conducts a formal **succession planning** process focused on managerial positions 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

Employees are encouraged to focus on an appropriate work/life balance. 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 around a sick employee or family member.

Boral's Australian parental leave policy includes eight weeks paid maternity leave and one week of paid paternity leave. During 2007/08, 94 female employees commenced or continued paid maternity leave and 277 male employees took paid paternity leave.

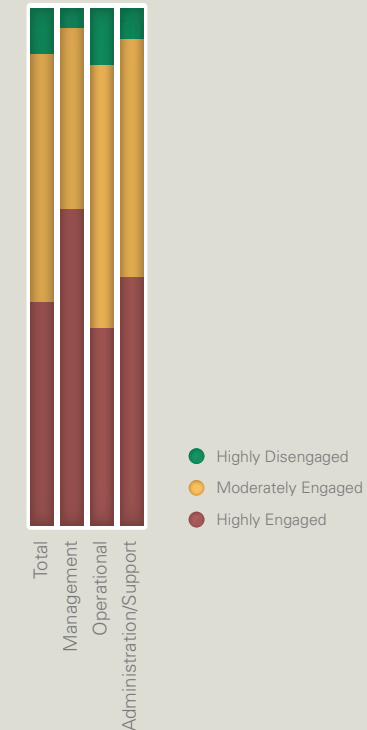
We recognise that it is increasingly challenging to find time outside of work for family and to give something back to the community. Boral's community partnership programs are therefore designed to allow employees to combine community-giving activities with their work schedules and with their family 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 its partnership with Outward Bound Australia, Boral funded seven Family Re-Discovery scholarships in 2007/08 to employees with a high-school aged son or daughter. Since 2003, 69 employees and their son or daughter have participated in the nine-day program in the Australian wilderness.

In the USA, Boral provided six Educational Scholarships of US\$4,000 per year for four years towards the college tuition fees for children of employees.

Boral's employees also have access to the BWell program (which offers regular medical assessments for employees and health awareness educational material for employees and family members) and BEAP (a counselling service for employees and their families). Further information on these programs is included on page s17.

Figure 10
Results from Boral's employee satisfaction surveys



Health and Safety

The health and safety of all people involved in our operations is a key priority. Our aim is to eliminate or minimise the circumstances under which people can be injured. 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 is provided on pages s8 to s9.

Safety performance

Boral's Lost Time Injury Frequency Rate (LTIFR) for employees was 2.5, down 11% compared with 2006/07 and percentage hours lost improved by 11% to 0.08% during the same period. Our target is to reduce LTIFR and percentage hours lost by 25% on the previous three year average. LTIFR of 2.5 was 26% better than the previous three year average of 3.37. Percentage hours lost of 0.08 was a 22% improvement on the previous three year average of 0.103.

Despite our improved performance and our efforts to make safety the number one priority across the Company, tragically we experienced one fatality which occurred in our Australian operations. Jakob Semmler, an employee driver, was delivering a tanker load of fly ash to a customer site in suburban Adelaide when the truck he was driving rolled over on a bend and the cabin hit a concrete power pole, causing fatal injuries. We deeply regret this tragic accident.

Contractor safety performance remained consistent with last year with LTIFR of 5.7 and percentage hours lost of 0.09%. Whilst much work has been done to improve both contractor and electrical safety, they remain areas of special focus.

During 2007/08 Boral was prosecuted for two safety incidents which occurred in NSW. The first incident relates to a contract truck driver injured when a load of timber board fell from his truck, breaking both his legs and injuring his back. Boral pleaded guilty and was fined \$115,000 plus costs. The incident occurred in 2005/06. The second prosecution related to a fatality which occurred in 2004/05. A subcontractor to a joint venture company was killed when concrete panels fell on him from the floor above, when he was working on a residential construction site in Sydney. The joint venture company pleaded guilty and was fined \$215,000.

Workers compensation

As shown in Figure 15, in 2007/08 Boral's workers compensation claim numbers decreased by 3% to 1,918, while claim costs decreased by 27% to \$4.9 million.

Claim numbers remained high relative to 2005/06 and prior years despite strong gains in LTIFR and percentage hours lost. Claim costs, however, were lower than last year across all divisions with the exception of Australian Construction Materials.

The average cost per claim declined across all divisions and overall by 25%. This is attributable to sound injury management practices with a strong emphasis on return to work strategies resulting in improved return to work outcomes.

Boral is currently in its second year of self insurance in South Australia, with early signs indicating strong management of claims and claim costs. However, recent legislative reforms in South Australia are

set to impact self insurers as benefits to employees on workers compensation will increase significantly compared to current levels. The full impact will not be realised for some 18 months with a staged introduction of changes to occur over the coming 12 months.

Risk management and injury types

Boral's businesses are required to effectively integrate health and safety risks into management of 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 Figures 13 and 14, the majority of injuries in Boral's Australian workplaces in 2007/08 resulted from "muscular stress", "hitting an object with a part of the body", "being hit by a moving object" or "falls from on the same level", and around 50% of the injuries sustained were to the hand/fingers, back/neck or arm/elbow/wrist. Consequently, corrective actions including training and process redesign have been taken to reduce these types of injuries.

Figure 11
Lost Time Injury Frequency Rate* (LTIFR)
* Per million hours worked

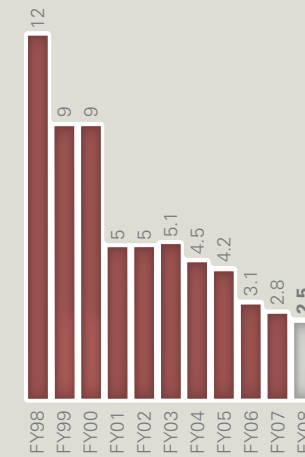
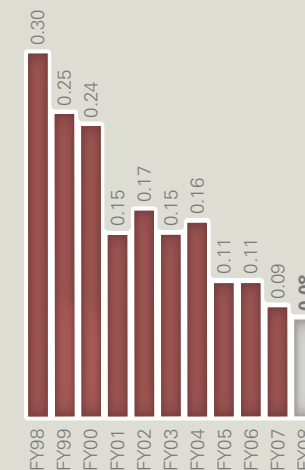


Figure 12
Percentage hours lost



Boral's first division to achieve zero lost time injuries and zero hours lost

Over the past seven years, Plasterboard has come a long way in its safety journey. It has moved from an ad-hoc approach to safety to one where there are systems and processes in place and there is ownership for safety at all levels and in all areas of the business. This desire and commitment to improve has translated into outstanding results, which the division is working hard to sustain. For example, the lost time injury frequency rate has reduced from over 12 in 2000/01 to zero in 2007/08 with percentage hours lost down from 0.4 to zero over the same period.

Plasterboard managers have consistently exceeded "Safety Conversation" targets while employees have identified and controlled over 3,200 hazards in the last three years.

An "all green" scorecard has been achieved in the 2007 Corporate Governance Review against the Boral Best Practice Elements and second party audits verify system compliance.

The Boral Interior Lining HSE Management System has won various state and industry awards including the 2006 Self Insurers in SA Award in Injury Prevention and employee survey results reinforce that Plasterboard's safety strategy is on track.

With strong leadership, teamwork and the continued efforts of everyone in the business, Plasterboard has achieved its goal of zero workplace incidents, injuries and illnesses.

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 they are physically able to meet the demands of the job. In some higher-risk roles, regular employment medicals are also conducted.

It is Boral's policy to maintain a drug and alcohol-free work environment. Drug testing of employees and contractors takes place where it is a part of enterprise or workplace agreements. While Boral provides reasonable assistance to individuals to appropriately manage drug and alcohol problems, it may terminate an employee or bar a contractor from returning to a Company site following a positive test result.

Beyond Boral's requirement 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 and in the USA. In Australia, BWell provides three core services: annual or biennial health assessments, wellbeing awareness seminars, and educational information on health issues for employees and their families.

BWell's health assessments are widely accessed. In Australia, 2,121 employees obtained health assessments in 2007/08 and 8,507 BWell health assessments have been carried out since the program commenced in 2003/04. In addition, 546 BWell seminars were conducted during the year in working hours, across 103 sites. In the USA, approximately 800 employees participated in BWell health assessments in 2007.

Through the BWell program we aim to improve the health status and awareness of our employees through improvements in their lifestyle and diet. The average number of risk factors amongst Boral's employees who have had health assessments has reduced from 2.9 to 2.6 and the proportion of employees at the high end of the health risk spectrum with five or more undesirable risks has reduced by 7% since 2003/04. 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 2007/08, a total of 346 employees and family members accessed the service for a new issue.

Managing security issues

The security issues facing Boral's employees and JV 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.

Our 50%-owned plasterboard joint venture business in Asia, Lafarge Boral Gypsum Asia (LBGA) has developed, documented and implemented "Crisis Management Guidelines". A full simulation exercise has been conducted across the region, along with multiple staff education seminars to ensure our staff are prepared for the potential effects of medical or security emergencies.

Figure 13
Mechanism of injury

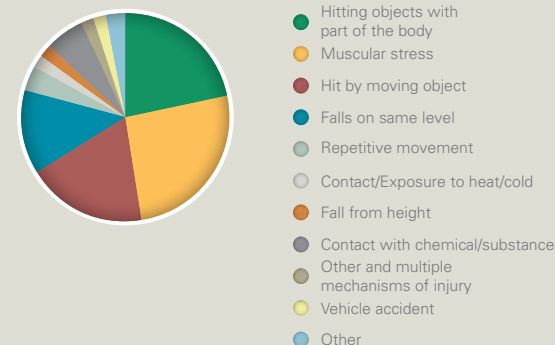


Figure 14
Body part injured

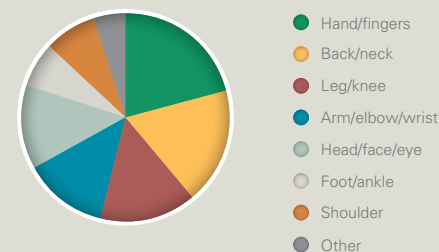


Figure 15
Number of workers compensation claims

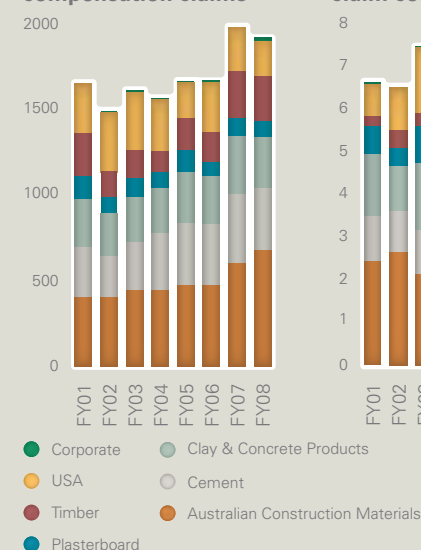
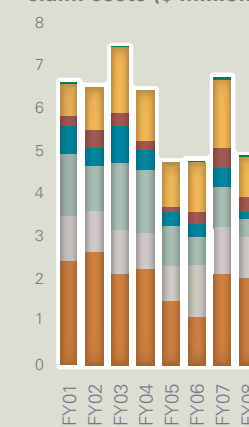


Figure 16
Workers compensation claim costs (\$ million)





One of our major environmental challenges this year was responding to the plethora of proposed and regulated state and federal carbon and energy efficiency programs and reviews, particularly around the design of an Australian Carbon Pollution Reduction Scheme.

Our Environment

Boral's approach to managing the environment is detailed on pages s9 to s10.

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 2007/08, Boral's staff and contractors continued to receive the latest **environmental training** via 33 business-specific environmental awareness training sessions (to 435 employees), 7 sessions on sustainable development (to 32 managers), and 11 environmental management sessions (to 60 employees). In addition, 11 sessions were held on the rapidly developing area of energy and climate change with business management teams. Business-specific environmental training takes place across the organisation.

Boral held its fourth internal sustainability conference in March 2008, involving over 45 staff from across Boral's businesses who have responsibility for environmental management. The two-day conference highlighted best practice sustainability management and shared learnings across the organisation.

Audit and assurance programs are an important part of Boral's EMS. In 2007/08, Environmental Services undertook 42 compliance and/or systems corporate audits, and 14 acquisition and divestment audits. Business-specific auditing takes place across the Company. For example, Australian Construction Materials completed 326 internal environmental short-form audits and in the USA environmental management system audits were conducted at 20 locations. This is part of the three-year re-audit program in the USA for some 70 operating sites. To date, 32 locations have been audited and 708 issues identified of which 61% have been completed.

In our Thailand and Indonesian businesses, best practice standards, auditing protocols and hazard/action registers to monitor closing out of actions is being maintained.

To achieve an industry-specific 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	BSDT score
Energy conservation and climate change	<ul style="list-style-type: none"> Involved in voluntary, industry sector energy efficiency or greenhouse programs including target setting; looking at alternate technologies to lower emissions; have systems in place to measure emissions; and can demonstrate positive performance trends when being compared with peers. 	2.8
Water conservation, extraction and protection	<ul style="list-style-type: none"> Have consumption and cost savings tracking integrated into business reporting systems; undertake water risk assessments for all sites; incorporate reduction targets for key sites; achieve performance improvements; and demonstrate positive performance trends when being compared with peers. 	2.9
Waste and resource management, recycling and re-use	<ul style="list-style-type: none"> Monitor waste streams across key operational areas and report on these relative to operational efficiency; conduct risk analyses to determine risks and opportunities associated with waste management and resource allocation; incorporate waste reduction targets for key sites; introduce approaches to improve the sustainability performance of products throughout their lifecycle; and demonstrate meaningful improvements in key areas. 	3.0
Land protection, remediation and rehabilitation	<ul style="list-style-type: none"> Have management systems in place to prevent land contamination including well-trained people; evaluate land contamination risks and have systems in place to identify land contamination hazards and risks and to manage contaminated land liability holistically; and have a good understanding of rehabilitation conditions with completion plans for site closures. 	3.0
Environment and ecosystem protection	<ul style="list-style-type: none"> Have undertaken comprehensive biodiversity investigations and have implemented protection plans for all relevant sites. 	2.9

During 2007/08, Boral incurred nine Penalty Infringement Notices (PINs) in Australia (resulting in \$12,201 fines) for **environmental contraventions**. These were issued for minor or technical non-compliances including contraventions of development approvals around dust, mud/sediment on road and odour, and three fines for discharging of concrete slurry into stormwater drains and a failure of a recycled water pump, resulting in an overflow. Over the last two years, the total monetary fines issued to Boral companies has nearly halved. There were no fines or prosecutions in the USA or Asia for environmental contraventions in 2007/08.

Energy use and GHG emissions

Boral's operations consume a significant amount of energy and some businesses are particularly energy intensive. In 2007/08, greenhouse gas (GHG) emissions from Boral's fully owned businesses in Australia, the USA and Asia totalled 3.79 million tonnes of CO_{2-e}. This compares with 3.75 million tonnes of CO_{2-e} emitted in 2006/07¹ as shown in Figure 17. On a comparative basis with 2006/07, absolute GHG emissions in 2007/08 increased by 1%. Despite improved efficiencies at Berrima, Waurn Ponds, Badgerys Creek and in our hardwood business in particular, increased emissions due to higher production volumes in Australian Construction Materials and Cement in Australia more than offset lower volume-related emissions in the USA. In addition to the 3.79 million tonnes of CO_{2-e} emission from Boral's fully owned businesses in 2007/08, approximately 0.20 million tonnes of CO_{2-e} were emitted from Boral's equity share of joint venture businesses in Australia and Asia.

The distribution of Boral's energy use and related GHG production across Boral's businesses is summarised in Figure 19. Around 65% of Boral emissions come from our Cement division, half of which is due to calcination, the chemical process of forming clinker from limestone at high temperatures. Emissions associated with cement are obviously a key issue for Boral but beyond calcination of limestone, some 2.4 million tonnes of emissions per annum result from Boral's electricity, gas, coal and diesel consumption.

In each of our divisions we are striving to reduce emissions per unit and to offset Boral's increases in absolute emissions as a result of market demand growth. In 2007/08, GHG emissions per tonne of cementitious material sold improved by 3% on the prior year and as shown in Figure 18, emissions per tonne of cement have reduced by 13% compared with 1990 levels. Divisional performance (on pages s30 to s41) provides more detailed energy and emissions efficiency data specific to Boral's businesses.

Boral is exposed to regulatory and physical risks related to climate change, both as a building and construction materials company and as a major energy user, particularly in our cement and brick operations.

For Boral, the most critical issue is to ensure that the cement industry is acknowledged as an emissions-intensive trade-exposed (EITE) industry and that there are suitable equity mechanisms in place to ensure that domestically produced materials do not have to bear much greater "costs

of carbon" than imported materials, so that Australia's industry is not forced offshore, taking its emissions with it. The Federal Government's Green Paper on the Australian Carbon Pollution Reduction Scheme proposes to provide assistance to EITE industries through a free allocation of 90% of the industry average required permits. The Federal Government has also proposed to limit the total amount of free permits to a level of 30% of the national cap, which will reduce over time. The major risk is around the possible reduction in the level of free permits allocated to EITE industries over time and the impact this will have on future cement manufacturing.

The other risk is the ability for Boral to be able to pass through costs of emissions associated with landfill waste already in the ground. The peculiarity of the landfill business is that waste which is already in landfill continues to emit GHGs for decades, resulting in an inequity for new landfill operations that do not bear the same legacy.

Boral is continuing to have ongoing discussions both directly and through industry associations with the Department of Climate Change regarding the design of an emissions trading scheme.

Figure 17
Boral's GHG emissions ('000 tonnes of CO_{2-e})

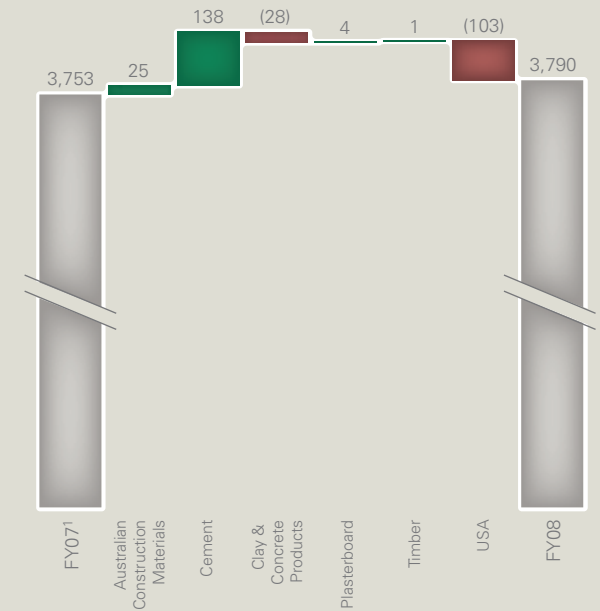
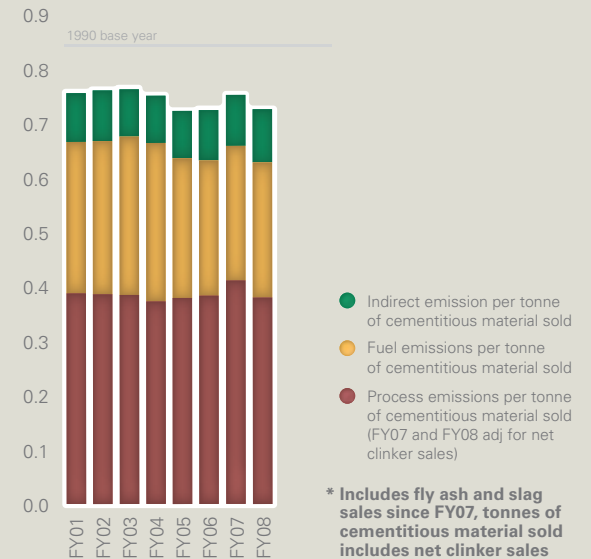


Figure 18
GHG emissions in cement* (tonne CO_{2-e}/tonne of cementitious material sold)



¹ In Boral's 2007 Sustainability Report, Boral's 2006/07 GHG emissions were reported as 3.70 million tonnes. This restated figure reflects the removal of Scope 3 electricity emissions, updated emission factors, enhanced data collection and review processes.

Our Environment

Boral has been actively managing risks associated with climate change for more than ten years through the participation in a range of voluntary energy efficiency and emission reduction schemes, 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 (Environment and Resource Efficiency Plans).
- NSW Department of Energy, Utilities and Sustainability's (DEUS) 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 468,000 LUACs since 2005, saving more than 5 million GJ of energy and more than 232,563 tonnes of CO_{2-e} in 2007. Under the NSW GGAS Scheme in 2007, Boral created around 41,000 NGACs for reducing electricity consumption at Berrima and generating

renewable electricity at our landfill operations (Boral Waste Solutions) in Victoria, avoiding the production of 41,000 tonnes of CO_{2-e}.

Boral Waste Solutions commissioned its second "Biogas to Energy" module at Deer Park in February 2008. This facility uses landfill gas to produce renewable electricity which is exported into the national grid. Commissioning of the second 1.1 MW generating module brings total electricity export capacity to 2.2 MW which is sufficient to provide the electricity needs of around 2,000 homes.

In January 2007, Boral formed a cross-divisional and cross-functional Energy and Climate Change Technical Working Group (ECCTWG). Reporting to Boral's Management Committee, the ECCTWG, has undertaken scenario planning to understand potential financial impacts under an emissions trading scheme, increasing our understanding of possible impacts and opportunities under various scenarios.

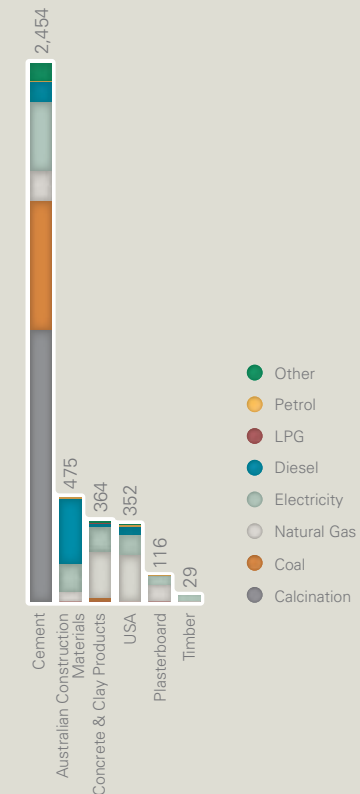
We have looked back at our 1990 and 2000 historical data, and we have forecasted future emissions out to 2012 and 2020. At the same time, the divisions have continued to review systems to collect data, ensuring that Boral has a solid and robust carbon inventory. This will allow us to establish appropriate abatement targets for the future. We consider it prudent to wait to set external targets until such time as the Australian and US governments set national targets and trajectories.

We are also identifying an opportunities set for abatement of our GHG emissions. These opportunities include: energy efficiency programs and alternative fuels which have environmental and cost benefits; revenue and cost saving opportunities through more sustainable products and technologies including generation and use of landfill gas; and a potential timber plantation strategy that would provide a carbon offset and saleable product in the future. From this opportunity set we have been developing an abatement cost curve to prioritise our abatement opportunities.

For an effective longer-term solution, we need to see the development of new technologies around carbon capture and storage (CCS). Geological CCS has a number of location-specific constraints that may make it unworkable at cement manufacturing works and while it is early days, there may be more hope in algal "sequestration", which is an area of focus for the global cement industry. Boral is not directly involved in the development of this type of technology, however, through the Cement Industry Federation, Boral is actively involved in global benchmarking and sharing of knowledge at an international level.

For additional information on Boral's approach to managing climate change, refer to the Message from the Managing Director and for Boral's response to the Carbon Disclosure Project (CDP6) www.cdproject.net. Also see the Cement Industry Federation's website: www.cement.org.au.

Figure 19
Boral's energy use and related GHG emissions ('000 tonnes of CO_{2-e})



Blue Circle is reducing greenhouse gas emissions

Blue Circle Southern Cement has avoided the production of more than 485,000 tonnes of CO_{2-e} over the past two years.

At Berrima and Maldon, the addition of mineral and supplementary cementitious materials to replace emissions intensive clinker in the manufacturing of cement, has already delivered a reduction of more than 75,000 tonnes of CO_{2-e} in 2007/08 and is expected to reduce emissions by more than 90,000 tonnes of CO_{2-e} in 2008/09.

Through the NSW Greenhouse Gas Abatement Scheme, Boral has elected to be a benchmark participant as a Large User and was the first company under the scheme to create large user abatement certificates. Our cement kiln upgrade at Berrima has avoided the production of more than 410,000 tonnes of CO_{2-e} over the last two years (equivalent to taking some 100,000 cars off the road).

At Waurn Ponds, Blue Circle is substituting ~40% fossil fuels with reprocessed waste oil, tallow residue, reprocessed carbon electrodes as well as around 600,000 used car tyres per annum (approximately 25% of Victoria's annual tyre dump). The Waurn Ponds plant is a pioneer in alternative fuel use in Australia. In Europe, where alternative fuels are more common, average substitution rates are 28% whilst alternate fuels elsewhere in Australia average only 5%.



Other emissions

Data on pollutant emissions for 51 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.

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.

Water management

Boral recognises the need to manage our valuable water resources in an environmentally sustainable manner. Throughout our operations we rely on water for our 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 S43). Mains/town water usage is material to Boral.

A total of 2.82 billion litres of mains water was used by Boral's fully owned businesses in Australia, the USA and Asia in 2007/08. This compares with 2.96 billion litres¹ of mains water used in 2006/07, a 4.6% reduction year on year, as shown in Figure 20. Water efficiency gains were delivered across many businesses through specific projects, although the decline was also attributed to the increased use of rainwater and a decline in production volumes in the USA. In addition to the 2.82 billion litres of mains water used by Boral's fully owned businesses, approximately 63 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 21 and details on divisional water usage and improvements is provided in the divisional performance pages (pages s30 to s41).

Since 2007, numerous Boral sites in Australia participated in formal water conservation programs in partnership with governments and/or water authorities. For example, in NSW, Boral Plasterboard, Camellia, 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, while Plasterboard Port Melbourne developed a similar

plan under the Victorian Government's Pathways to Sustainability program. Fifteen of Boral's South East Queensland businesses were required to produce Water Efficiency Management Plans in response to the region's dire water situation. 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 under new legislation in that state this year. Midland has reduced its water consumption annually by 20% per tonne of standard brick equivalent (SBE) produced in the last two years and is targeting a further 10% annual reduction per tonne of SBE by 2012.

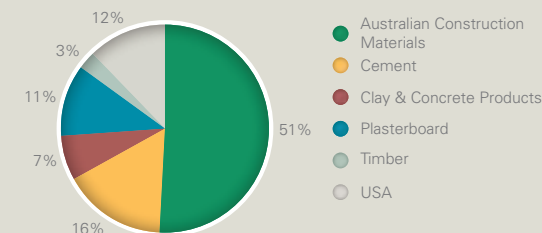
Waste, recycling and re-use

Boral Waste Solutions' landfill site at Deer Park in Victoria, is the second largest landfill site in Australia. Deer Park received more than 400,000 tonnes of commercial and municipal waste in 2007/08. Of this, around 5% was recycled or recovered, the majority of this being green waste which was composted to produce manufactured topsoil.

Figure 20
Boral's mains water consumption (million litres)



Figure 21
Boral's mains water consumption by division in 2007/08



¹ In Boral's 2007 Sustainability Report, Boral's 2006/07 mains water usage was reported as 2.93 billion litres. This restated figure reflects enhanced data collection and review processes.

Our Environment

Re-use and recycling of materials are part of Boral's focus to responsibly manage our resources, including reducing our reliance on virgin materials. Re-use refers to the incorporation of waste material back into the same product and recycling involves waste material being used in a different product. Both conserve primary resources, reduce the environmental impact and cost of disposal and, depending on the circumstances, can reduce the energy required to manufacture the product on a production unit basis.

An estimated total of 5.56 million tonnes of waste and by-products was re-used or recycled in 2007/08, up 3.6% year-on-year. 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 43% and 100% of the production waste that they generate.

Our own returned waste materials re-used to produce the same product include concrete washout slurry, recycled asphalt profiling (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 in the manufacture of 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 Boral's sustainable products can be found at page s25.

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 – the equivalent of 5.4 million bricks, which is enough to build around 280 average-size double brick houses.

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.

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 demolition waste in combination with concrete washout, RAP and natural rock, and markets a variety of products including road bases, pipe-bedding, backfill and aggregates. In addition, Enviropave™ is a bound, recycled road base consisting of RAP, recycled crushed concrete and a slow setting binder (ground granulated blast furnace slag and hydrated lime).

More information about the amount of waste produced and recycled by the divisions is provided in the divisional performance pages (pages s30 to s41) and included in the **Sustainability Data Table** (page s43).

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". 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 are key aspects of our land management activities.

Where practicable, Boral rehabilitates its extractive operations on an ongoing basis. Rehabilitation works reduce visual impacts, enhance biodiversity and minimise erosion through planting of native trees and revegetation. Examples of Boral's rehabilitation work in 2007/08 include the planting of over 1,000 trees at Wollert Quarry in Victoria; extensive grass seeding and rehabilitation of overburden at Bacchus Marsh Quarry also in Victoria; and the planting of 14,000 endemic trees, shrubs and bushes at the Orange Grove Quarry in Western Australia.

Figure 22
Internal and external waste
and by-product re-used/recycled ('000 tonnes)



Water savings add up

Across Boral's 717 operating sites there are numerous innovative water saving initiatives that have been identified and developed by employees and are delivering real benefits.

In Boral's hardwood timber business a large amount of water can be used in the drying/curing process because of the need to create a high humidity environment that minimises the risk of stressing, splitting and warping of the timber as it is drying. At Boral's Murwillumbah plant, however, water usage has reduced by 3.6 million litres per annum through an innovative approach that has improved a complicated industry-wide wet bulb kiln control system. Boral Timber's innovative approach, which is based on the use of a high temperature wet bulb station to maintain the necessary water levels in the drying process, only uses 5% of the water used in traditional control systems.

Boral Roofing's Wyee plant has also achieved water savings. Some 1.8 million litres of mains water a year has been saved by installing a windmill to pump rain water back from an existing dam to the plant. The site already had systems in place to catch rainwater over a large catchment area including the Wyee clay pit, however, this water was being pumped to a dam and released without opportunity for use in the production process.

A source of electricity was required for the water in the dam to be pumped back for use in the production process. Boral chose a windmill as a renewable energy source providing the most environmentally sustainable outcome.



In addition to the already developed or proposed nature reserves at various Boral locations, Boral quarries continue to develop **rehabilitation** plans in greater alignment with current thinking around 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. Commitments to protecting the Western Swamp Tortoise in the Swan Valley in Western Australia, the Striped Legless Lizard and Plains Rice-flower on the Basalt Plains west of Melbourne, and the Grey-Headed Flying Fox in NSW are ongoing.

All required biodiversity assessments under the federal Environment Protection Biodiversity and Conservation Act are always undertaken, as well as those required under the equivalent state level legislation, and resulting management plans implemented, such as for the Striped Legless Lizard at our Deer Park Quarry in Victoria.

The same approach applies for heritage values, in particular around aboriginal heritage. In carrying out heritage assessments, Boral appoints appropriate heritage experts and follows government guidelines.

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 Coordinator to assist with indigenous cultural issues. There is currently ongoing dialogue with claimants with respect to three quarry sites, one each in Queensland, New South Wales and Western Australia.

Our work on our **contaminated sites** globally is substantially completed, however, from time to time divestment of properties may trigger some supplementary work depending on eventual disposition of the site.

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 the following:

- 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.
- Installing rehabilitation ponds, trenches and fencing for the Seabird Recovery facility at Torrens Island, South Australia, to help to preserve important bird species.
- Reafforestation of Box-Ironbark habitat corridors at O'Keefe Rail Trail in Bendigo, Victoria, to rehabilitate a significantly declined ecosystem with many nationally threatened species of fauna and flora including the Grey Crowned Babbler, Swift Parrot, Regent Honeyeater, Tuan and Squirrel Glider.



Boral embraces the principle of sustainable development, ie. development which meets the needs of the present without compromising the ability of future generations to meet their own needs. We believe this principle is fundamental to Boral's continued success and growth.

Boral is committed to pursuing industry specific best practice in environmental performance. As an international resources-based company, we acknowledge that our shareholders, employees and the community at large expect responsible environmental practice by Boral's businesses.

Specifically Boral is committed to:

- Conducting our operations to minimise environmental risk and, wherever practicable, eliminate adverse environmental impacts
- Continual improvement of our environmental performance including regular review and the setting of rigorous environmental objectives and quantified targets – particularly with regards to:
 - efficient use of energy (including appropriate use of alternative fuels)
 - conservation of water
 - minimisation and recycling of wastes
 - prevention of pollution
 - effective use of virgin and recovered resources and supplemental materials
- Open, constructive engagement with communities surrounding our operations
- Reducing the greenhouse gas emissions from our processes, operations and facilities
- Protecting and, where possible, enhancing biodiversity values at and around our facilities
- Complying with environmental legislation, regulations, standards and codes of practice relevant to the particular business as the absolute minimum requirement in each of the communities in which we operate
- Conducting business with suppliers and contractors who have a commitment to the values and objectives contained in this environmental policy
- Consulting and collaborating with customers and suppliers in the development of sustainable products
- Remediating our contaminated sites to standards internationally acceptable for the site purpose.

To support these commitments, Boral will progressively implement and maintain environmental management systems for its businesses based on the international standard ISO-14001 or its equivalent.

Through communication and training, our employees and contractors will be encouraged and assisted to enhance Boral's environmental awareness and performance.

R.T. PEARSE
CEO & Managing Director

Date of Issue: June 2007



Working across our supply chain we aim to ensure that we act with integrity and that our actions meet both the spirit and letter of the law and community expectations. While price, quality and service are a major focus, negotiations with suppliers, customers and consumers include opportunities for improved safety, environmental and broader sustainability outcomes.

Marketplace and Supply Chain

Our suppliers

Boral's procurement processes are well defined and reinforced through to the businesses with divisional strategic sourcing plans completed annually. These plans specifically address capability improvement initiatives identified through the utilisation of Boral's Procurement Capability Assessment Tool. 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 addresses governance and ethics, policies, risk management, systems, reporting and key areas including safety, labour standards, stakeholder engagement and environment as key supplier selection criteria (as applicable) in Boral's procurement processes.

Boral's application of its procurement process specifically aims to work with suppliers to continuously improve Boral's sustainability through the supply chain. This sustainable supply chain management includes actively improving suppliers' products and reducing supply chain waste.

Working with our suppliers of heavy transport vehicles has enabled complex sustainability improvements, including the introduction of compressed natural gas (CNG) engines to concrete agitator vehicles, as well as a range of simpler modifications improving driver safety. Improved steps for entry and exit, additional mirrors reducing the risk from blind spots, in-cabin instrumentation for checking oil and water, reducing the risk of injury from lifting bonnets, are all examples of Boral improvements made to standard vehicles. 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.

Boral has also continued to work with suppliers to reduce supply chain waste. Over 14 million paper sacks are used for Boral's cement and plasterboard finished products per year. Boral's modified paper sacks reduce paper consumption by over 1,500 tonnes per annum through a change to sack construction (from a 3 ply to 2 ply paper wall). This reduces the waste which must be removed from construction sites.

At a site level, working with suppliers also introduces innovative sustainable outcomes. Boral Windows has worked with its suppliers of aluminium section and glass to reduce, re-use and recycle packaging products. Paper separations in glass supply have been reduced by 60%, timber packaging cleats are now starting to be returned and re-used by the supplier and shrink wrap plastics are now being sorted from general site waste, then baled and recycled.

Our customers

From trade practices compliance to product labelling, we aim to ensure that our marketing and sales activities meet both the spirit and 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, with all managers and sales required to complete an online, regularly updated Trade Practices Compliance training program and a biennial refresher course. During 2007/08, a total of 1,550 Boral employees completed on-line compliance training in Australia, while 902 employees attended trade practices training seminars.

To achieve an industry specific 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	BSDT score
Strategic sourcing and supply chain	<ul style="list-style-type: none"> Procurement and/or supply chain plans incorporate sustainability objectives and performance metrics, applied across all activities which have identified sustainability procurement risks. HS&E/sustainability standards for strategic sourcing activities are in place and are supported by effective decision-making structures and resources. 	2.8
Sales and marketing	<ul style="list-style-type: none"> Sales and marketing plans incorporate clearly identified sustainability objectives and performance metrics. Inform and seek responses from key stakeholders about our products and their sustainability characteristics. Use this feedback in product development improvements. Product stewardship concepts are incorporated into delivery and support systems of key products/services. 	2.7

Target 3.0

In the USA, Boral's legal department conducted five face-to-face training sessions to some 290 managers and sales staff which concentrated on our product liability and contract reviews.

All of Boral's businesses have systems in place for dealing with customer complaints, in the event that dissatisfaction arises. When it comes to managing product performance and health and safety risks through the lifecycle of our products, Boral's businesses have processes in place including appropriate product labelling, training and a well developed system of Material Safety Data Sheets for users of our products.

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 (BPIC).

Since 2005, Boral has been a National Leader of the Housing Industry of Australia (HIA) GreenSmart initiative. Boral continues to sponsor the 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. EnviroDevelopment is a scientifically-based branding system designed to make it easier for purchasers to recognise and select more environmentally sustainable homes and lifestyles.

We work closely with our customers to understand their needs and the challenges they face so that we can deliver the best solutions. We use a number of forums for obtaining feedback including workshops and meetings as well as regular customer surveys and other market research.

During the year, 677 builders and 682 consumers participated in perception studies to help us better understand how Boral is viewed in the marketplace and whether we are meeting our objectives. The 2007/08 survey results indicate that 41% of consumers perceive Boral to be "environmentally responsible" (50% "couldn't say"). This was a 28% increase on surveys undertaken 14 months earlier.

Within Boral's divisions customer satisfaction surveys are undertaken and the feedback is used to improve service. For example, in Boral Plasterboard the team has continued to deliver a strong level of service and product quality with recent customer surveys showing a very high 86.9% customer satisfaction index.

In 2007/08, Boral provided large customers with a self service electronic facility through Boral's website. 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 Hancock Plywood

- Through Chain of Custody and Australian Forestry Standard (AFS) certification, Boral's plywood products have systems in place to track timber from its origin in a certified sustainable forest through to point of manufacture.
- Boral's plywood is produced from 100% renewable plantation resource timber and 100% of the timber is used (waste products used in landscaping and fuel source for brick kilns).



Boral Envirocrete™

- Envirocrete™ uses a proportion of recycled materials including aggregate and cementitious waste (reclaimed concrete, fly ash and slag) and may use recycled water where available, diverting waste from landfill and preserving virgin material.
- The product contributes to sustainability ratings systems, including UDIA and Green Building Council of Australia's Green Star environmental rating scheme.



Boral Plasterboard Quiet Living™

- Boral's Quiet Living™ systems are designed to enable modern homes to meet changes in lifestyle and living habits over the past decade that contribute to potential noise problems for those seeking quiet including:
 - home cinema and digital home entertainment; and
 - higher density living.



Boral Concrete Masonry Bricks and Blocks

- Boral FireLight™ bricks contain ~75% by-product (ash from power stations) and ~5% recycled concrete.
- FireLight™ has a very low embodied energy (Boral has reduced energy needed to cure concrete blocks) and may be used for cavity wall construction or reverse block veneer providing thermal mass inside the house.
- Up to 20% of the coarse aggregates used in FireLight™ is recycled or crushed concrete.



Boral Asphalt and Road Bases

- Boral's recycled road bases are produced from recycled materials including crushed concrete and recycled aggregate products, diverting waste from landfill.
- LoNoise™ Asphalt incorporates granulated used (recycled) tyres into production to reduce noise pollution on heavily trafficked roads in urban and suburban areas.

For more examples of Boral's products and their sustainable features refer to www.boral.com.au/buildsustainable.



We have a genuine regard for the interests of our stakeholders, including our shareholders, employees, customers, suppliers, neighbours, members of the communities, government and other stakeholders. Developing and maintaining a strong relationship with these stakeholders is crucial to our business success and maintaining our licence to operate.

Our Stakeholders

Stakeholder engagement is integrated into our business systems and processes. Figure 23 outlines the key methods used to engage with our stakeholders.

The Boral Sustainability Diagnostic Tool has two elements focusing on monitoring and measuring Boral's performance in regard to stakeholder engagement: *Community Relations and Engagement* and *External Relations and Communications*.

To achieve our objective of "industry specific best practice" we aim to work directly with the community, taking community views into consideration. We also aim to be active members of the community, engaged in policy shaping and community partnerships.

Engaging with our stakeholders through our Sustainability Report

During 2007/08 we sought feedback on Boral's 2007 Sustainability Report through two formal discussion groups with employee, shareholder, customer, supplier, government and community representatives. The feedback was used in determining the content of this report.

We have also considered the Global Reporting Initiative (GRI) Guideline (www.globalreporting.org) in determining the content of this report, including

aligning non-financial indicator definitions with the GRI where appropriate.

The non-financial content of this report has been assured by Net Balance in accordance with AA1000 Assurance Standard, which places importance on stakeholder engagement (p s42).

Government and regulators

Boral has regular dialogue with public officials both directly and through membership of industry associations.

Boral has a Government Relations policy which outlines how we work with government and our intent to contribute to debates on policies, laws and regulations that affect our operations and financial performance.

Boral is actively engaged in commenting on government consultation processes relating to sustainability. During 2007/08, public advocacy efforts largely revolved around emissions trading, with submissions made, or being made, to:

- The Greenhouse and Energy Reporting Taskforce of the Department of Climate Change on its Regulations Policy Paper for a National Greenhouse and Energy Reporting System, in February 2008.
- Professor Garnaut's Emissions Trading Scheme Discussion Paper in April 2008.

Figure 23

Key stakeholder groups	Key methods of engagement during 2007/08
Shareholders	<ul style="list-style-type: none"> • The Annual General Meeting, annual and interim results announcements, formal meetings with institutional investors and site visits/presentations. • Information made available includes: Boral's Annual, Sustainability and half-yearly reports, media releases, Boral in the News and Boral's website. • Carbon Disclosure Project (CDP6), which seeks information from companies on climate change risks and opportunities on behalf of institutional investors. Independent surveys to assist the investment community benchmark Boral's performance.
Employees	<ul style="list-style-type: none"> • Annual independent employee surveys undertaken across Australian and US operations to identify key issues affecting employee engagement. • Boral's Annual, Sustainability and half-yearly reports, Boral in the News, Boral's intranet, divisional newsletters, tool box meetings, safety committees and "safety conversations". • Regular performance reviews for salaried staff.
Customers	<ul style="list-style-type: none"> • Customer surveys and focus groups. • Annual and Sustainability Reports. • One-on-one meetings, site visits. • Product information, material safety data sheets, brochureware, website.
Suppliers	<ul style="list-style-type: none"> • Regular feedback and performance reviews with critical suppliers covering: operational activities, safety, environment and continuous improvement. • Safety and site inductions.
Local communities and neighbours	<ul style="list-style-type: none"> • Community consultation and engagement groups. • Open days, site tours, one-on-one meetings, public meetings, newsletters and targeted communications, and Boral's website. • From time-to-time independent community perception interviews are undertaken particularly where local concerns have been identified and there is a need to better understand those concerns.
Government and regulators	<ul style="list-style-type: none"> • Meetings with government and regulatory officials. • Conferences and selected events to understand public policy developments. • Submissions to government consultation processes. • Engagement via industry associations.

- The Department of Climate Change on its Carbon Pollution Reduction Scheme Green Paper in September 2008.

Supporting these submissions, Boral's senior executives were involved in direct dialogue with politicians and government officials including those from the Department of Climate Change. Boral was also a Pilot Group member for the National Greenhouse and Energy Reporting System during the year.

At a business level, Boral directly engages with local councils and regulators such as state EPAs and planning authorities.

Boral is apolitical and does not make donations to political parties or individuals. However, Boral is a member of the NSW Millennium Forum and NSW Australian Labor Party's Business Dialogue and attends business events to access bipartisan political debate. The Australian Electoral Commission's reportable funding from Boral in 2007/08 was \$41,883.

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; 10,000 Friends of Greater Sydney; 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 currently working with the Business Product 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

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 issues. 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.

Recent and current issues of concern to local communities surrounding our operations or proposed developments are outlined in Figure 24.

We actively consult with communities when considering major new investments and in land management issues. Stakeholder reference groups are formed for major developments to facilitate risk assessments to identify and rank perceived risks. In land management issues, we often work in partnership with local community members, special interest groups and/or government bodies. For example, we have recently advertised for expressions of interest from members of the local Marulan South community to establish the Community Consultative Committee for Boral's newly proposed Marulan South Quarry in NSW.

Figure 24

Recent and current community issues

Key issue	Boral's position
Safe use of alternative fuels Berrima, NSW (Cement)	Berrima was granted approval in FY07 to burn alternative fuels, partially replacing coal as a fuel for the cement kiln, reducing its GHG emissions. Concerns have been raised locally about possible increases in dioxins, resulting in extensive community engagement. Recently, Boral has engaged independent advisers to interview members of the local community and other stakeholders to better understand these concerns and determine how they may be able to be addressed. The use of non-standard fuels in cement kilns is common in our industry both in Australia and overseas, and has shown to be an effective way to reduce GHG emissions over many years.
Public health and environmental concerns Montrose quarry, Vic (ACM)	For several years, Boral has been seeking to extend approved reserves at the Montrose quarry whilst members of the local community have been opposed to any proposed extension because of environmental impacts and potential health concerns due to dust emissions. Despite comprehensive stakeholder engagement, Boral's revised application was rejected by Yarra Ranges Shire Council with virtually no debate. The State Government made a decision not to call in the application for an independent review. Boral had sought to address environmental concerns and meet the needs of the community and government by increasing the proposed buffer zones and reducing workable reserves by around 50% when compared with our original application. Boral undertook a rigorous Environment Effects Statement (EES) which was not reviewed or fully assessed by the Council or State Government.
Mixed land use Crib Point, Vic (ACM)	Boral has proposed to build a bitumen storage and distribution facility at Crib Point on cleared vacant land which was already earmarked for bulk liquid handling and is a former refinery site. The local community has raised concerns in regard to the proximity of the site to residential properties. Boral's proposal meets all the regulatory requirements and the project exceeds the standards required by EPA regulations. The impact on local roads and the local environment will be minimal. The proposal is currently being assessed by the advisory committee of the Victorian Government, with the Planning Minister expected to make a decision on the proposal thereafter.
Regional employment Walcha, NSW (Timber – hardwood)	Boral suspended manufacturing at its Walcha facility in August 2008 as a result of escalating wood supply costs and continued weak housing market in NSW. Boral's primary concern was for the welfare of the affected employees. Of the 23 affected employees at Walcha, the majority found new jobs within weeks of the announcement, including at other Boral timber sites, while others have decided to retire. The temporary closure of the mill and lost employment has been an issue of concern for the local community. Following discussions with the local Mayor and other community representatives, we are continuing to work with stakeholders to explore options to support the regional timber industry.

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's businesses have the flexibility to support local community activities where appropriate, whilst being required to adhere to limits of authorities and use Boral's Partnership Framework and Criteria to assess the appropriateness of local partnership opportunities.

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 2007/08, a total of \$591,500 of cash and materials support was invested in these community programs together with a further \$443,000 of cash donated to the Juvenile Diabetes Research Foundation through employee fundraising efforts in Australia and the USA. Also included in this amount is Boral's sponsorship of "The Building As Muse" photographic exhibition, which documents the partnership of photographer Max Dupain and architect Harry Seidler. The collection was exhibited in Paris in 2008 and will be on public exhibition in Sydney in 2009.

Through our community support programs we aim to make a meaningful contribution to the social and economic well-being of our communities and also provides value to our operations by supporting business objectives and improvements in community relations. Boral's community contributions involve financial support, materials in kind support and employee volunteering, as well as using our networks to raise awareness about key community issues.



Boral partnership framework

Partnership initiative

Conservation Volunteers Australia (CVA) – Boral Living Green

Building on a 20-year association with CVA, Boral Living Green, which commenced in January 2005, supports the involvement of employees, their families, other stakeholders and local community groups, such as Landcare and Bushcare, on projects that provide environmental benefits for communities in the areas in which Boral operates.

FY2008 outcomes/achievements

- Celebrating 20 years of partnership between Boral and CVA in 2008.
- 608 volunteer days across 14 conservation projects including weed removal, tree planting and collection of native seed and restoration of animal habitat in WA, Qld, NSW, ACT, SA and Vic. During the year, 15,050 trees/stems were planted and 63,700 m² weeded and regenerated.
- CVA participated in Koolkhan sawmill open day, engaging 100+ staff, family and community members.
- Living Green Nature Walks program was introduced in 2007, enabling Boral employees and their families to learn more about their environment by participating in guided walks in selected National Parks.

Taronga Conservation Society Australia

Boral has partnered with the Taronga Conservation Society Australia (formerly Taronga and Western Plains Zoos) since early 2003, sponsoring the backyard precinct of Backyard to Bush. In 2006, we expanded our partnership to include the sponsorship of the Youth at the Zoo (YATZ) program.

- Many Boral employees, families and customers visited the Zoo in 2007/08 including 280 Boral attendees at the Twilight concerts in February/March 2008; and around 600 Boral staff and families at Boral's Family Day in November 2007.
- YATZ Eco Fair was held in January 2008 with Boral participation.
- Substantial quantities of Boral concrete were used in the new Great Southern Oceans precinct.

Creating a Better Earth



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.

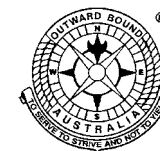
- In 2007/08, 160 Boral staff and their guests attended Bangarra's capital city main stage performances or regional performances. In November 2008, Bangarra will perform for a group of Boral employees and their families at Bangarra's Walsh Bay Theatre.
- Bangarra performed in Sydney, Melbourne, Brisbane and Canberra, and toured throughout regional Qld and NSW.
- Boral is the main Sydney season sponsor for 2008.



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 through the Harden Education Foundation 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 its employees.

- Since the Boral Family Re-Discovery program was developed in 2003, a total of 69 family groups have participated in the program across five states.
- 7 family groups received Boral scholarships in 2007/08.
- 84% of past participants in the Outward Bound scholarships still work for Boral.



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 whilst 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 \$1.46 million to JDRF since our partnership began in 2001 including around 85% from employee fundraising efforts.
- In 2007/08, Boral's employees raised over \$443,000 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. 2,000 employees and family members participated in the October 2007 Walk to Cure Diabetes.
- 61 riders participated in the Ride to Cure Diabetes in January 2008 and raised \$230,000.
- The focus on engaging managers through JDRF corporate committees and Walk Captains continues.



Building Communities in Asia

Boral commenced its Building Communities in Asia program with World Vision in 2005 following the devastating Boxing Day tsunami. In addition to working with World Vision in Indonesia and Thailand, Boral has been investing directly in community building activities in Bayah in Indonesia.

- Approximately \$30,000 of materials in-kind support provided to two World Vision projects in Thailand – the Phathalung Province School and the Trang Province School.
- A further \$70,000 of investment in community building activities in Indonesia including education to 90 secondary school children to improve their prospects of gaining a tertiary education, and the extension of pipelines to provide fresh water supply to five villages.
- Employees in Indonesia were involved in raising funds for 12 children to undergo restorative facial surgery.



HomeAid

Boral USA has partnered with HomeAid, a leading national non-profit organisation providing shelter for the homeless. Boral's initial two-year commitment is for US\$50,000 in cash and US\$50,000 in-kind product donations.

- Boral is represented on HomeAid's US Board of Directors.
- Due to the US housing downturn some projects have been delayed, but two buildings in the California project have been built using our tile.
- Whilst a previously planned project in Georgia has been delayed Boral is still committed to providing the bricks once the project commences.





“During the year, Australian Construction Materials upgraded its management systems. We developed a best practice national Safety Management System for employees and contractors, which is currently being rolled out, and we developed a national Environmental Management System which has been piloted across six sites and is now being rolled out across the business. We are also continuing to improve our sustainability measurement, with centralised data capture of diesel and electricity now in place.”

John Douglas, Executive General Manager

Australian Construction Materials



475,000 tonnes
CO_{2-e} emitted (6%↑)¹



482,000 tonnes
of waste recycled/re-used² (29%↑)



1,436 million litres
of mains water consumed (2%↓)



BSDT 2.8 (target 3.0)

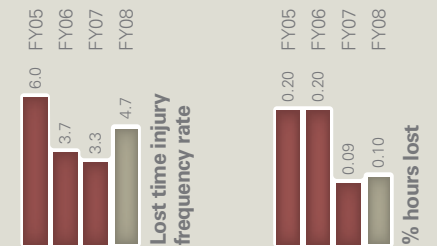
Our performance

Health and safety

- Tragically, an employee was fatally injured in a heavy vehicle accident in South Australia in December 2007. His vehicle rolled and collided with a concrete telegraph pole.
- LTIFR was 4.7 and % hours lost was 0.10.
- An extensive audit of electrical safety resulted in the identification of more than 10,000 hazards and \$7.1 million of capital expenditure to reduce this risk. Nearly two thirds of hazards already addressed.

Our goals/plans

- 25% improvement on last three-year average LTIFR and % hours lost.
- *Complete roll-out of the national Safety Management System.*
- *Align contractor management under a national Safety Management System.*

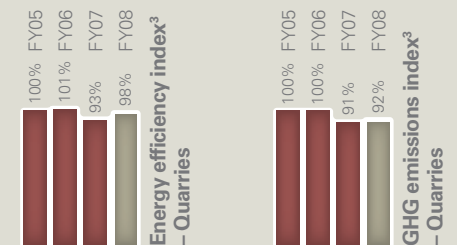


Energy conservation and climate change

- Energy use and GHG emissions increased by 7% and 6% to 5.7 million GJ and 475,000 tonnes of CO_{2-e}, respectively, reflecting higher production and increased reporting scope.
- Quarries energy and GHG emissions per unit produced increased 5% and 1% respectively.
- Emu Plains, one of ACM’s largest quarries, improved electricity efficiency by 25%.

Reduce emissions per unit and offset Boral’s increases in absolute emissions as a result of market demand growth.

- *Continue electrical efficiency audits and programs in quarries.*
- *Investigate increased use of compressed natural gas in concrete fleet.*
- *Investigate trials of second generation biodiesel.*



Human Resources

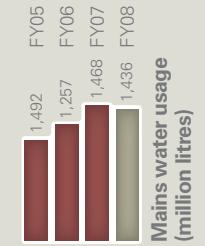
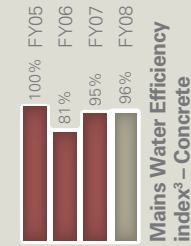
Environment

Water conservation, extraction and protection

- Mains water use of 1,436 million litres reduced by 2% year-on-year, mainly due to increased capture and use of rainwater.
- Concrete increased its mains water usage per unit of production by 1%, while Quarries decreased water use per unit by 28% due to increased capture and use of rainwater.
- Use of treated effluent for concrete was successfully trialled in South East Queensland.

Reduce mains water consumption across the division.

- *Identify areas where more accurate, granular monitoring is required at high usage sites.*
- *Roll-out of treated effluent for concrete at suitable sites in eastern states.*

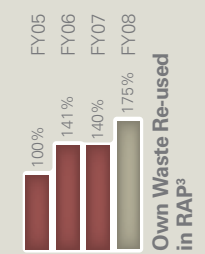
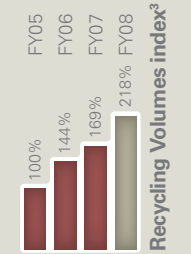


Waste and resource management, recycling and re-use

- ~482,000 tonnes of waste was re-used or recycled, up 29% on the prior year.
- Recycling facilities in NSW and Victoria increased processing of construction and demolition waste by 29% in FY08, or 118% above 2005 levels, replacing virgin resources.
- Recycled asphalt pavement volumes increased by 11% in FY08, or 75% above 2005 levels.

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 recycled asphalt pavement.*



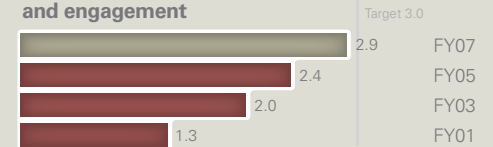
Community relations and engagement

- ACM has Stakeholder Engagement Plans for sensitive quarry sites. Community consultation models are in place at key sites and new developments.
- In Queensland, ~130 million tonnes of proven reserves were consented over two years underpinned by effective stakeholder engagement.
- After considerable investment in a State Environment Effects Statement to support an application to extend the Montrose Quarry, the application was rejected without independent review.

Maintain the support and goodwill of communities surrounding Boral's activities through engaging and consulting on relevant issues.

- *Implement community relations and engagement initiatives.*
- *Continue to undertake stakeholder risk assessments for all businesses, prioritising sites that require development of stakeholder engagement plans.*

**BSDT Scorecard
Community relations and engagement**



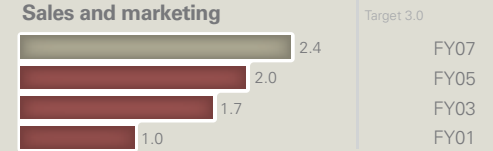
Sales and marketing

- Up to 30% recycled asphalt was incorporated into more than 150,000 tonnes of asphalt for the EastLink project since 2006.
- Third party assurance of concrete inputs, recognising their recycled materials and cementitious waste content.
- Installed ThoroughTrack synthetic horse racing surfaces at seven sites, eliminating the need for water for maintenance.

Provide customers with sustainable product solutions.

- *National consistency around the use of recycled materials, cementitious waste and recycled water content in concrete.*
- *Identify opportunities to support environmental standards.*

**BSDT Scorecard
Sales and marketing**



About Australian Construction Materials (ACM)

ACM, Boral's largest division, has a diverse number of businesses including Quarries, Concrete, Asphalt, Transport, Contracting and Quarry End Use, which incorporates a landfill operation at Deer Park in Victoria. The division has 410 operating sites, 4,600 employees and 2,000 contractors in Australia.

ACM's sustainability data includes second brand operations Concrete, Alsaf, GoCrete, Q-Crete and Allens Asphalt. ACM's total GHG emission excludes Boral's Deer Park landfill operations; a model is under development for calculating landfill GHG emissions for FY09.

¹ In preparation for reporting under the National Greenhouse and Energy Reporting Guidelines, Scope 2 factors have been applied for electricity in FY08. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted to take into account Scope 3 electricity changes.

² If 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 waste consumed.

³ Indexed to 100% in FY05 as base year. Energy/GHG calculations based on total quarries energy and GHG emissions divided by tonnes of quarries production; water calculations based on total concrete water use divided by m³ of concrete production; recycling and RAP calculation based on own waste re-used in tonnes divided by tonnes of RAP produced.



“For our business it is critical that the cement industry is recognised as an emissions-intensive, trade-exposed (EITE) industry and that there is recognition for EITE industries in the Carbon Pollution Reduction Scheme. Whilst our FY08 emissions increased by 6% due largely to higher lime production volumes, we are continuing to work on emission reductions. We avoided over 76,000 tonnes CO_{2-e} pa through a mineral and slag addition project and the Berrima kiln upgrade has abated 410,000 tonnes CO_{2-e} over two years.”

Phil Jobe, Executive General Manager

Cement



2.5 million tonnes CO_{2-e} emitted (6%↑)¹



1.1 million tonnes of waste and by-products recycled/re-used² (16%↑)



453 million litres of mains water consumed (1%↓)



3.0³ (target 3.0)

Our performance

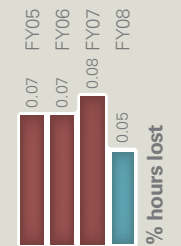
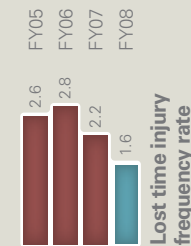
Health and safety

- LTIFR of 1.6 and % hours lost of 0.05, due to strong performance improvement in Asia where LTIFR was down 27% and hours lost decreased by 38%.
- Rigorous internal audit of CRB businesses contributed to improved safety compliance.
- Implementation of Boral's hazard identification and safety management software system "SiteSafe" in Asia.
- Blue Circle standardised its site-based systems into a National Health, Safety, Environment and Quality Management model.

Our goals/plans

25% improvement on last three-year average LTIFR and % hours lost.

- Continue focus on electrical safety.
- Enhance awareness and employee engagement through increased safety conversations.
- Improve contractor safety, especially on construction sites.



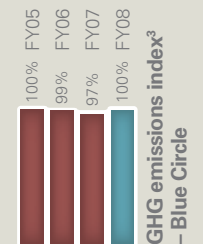
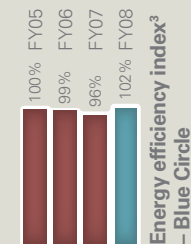
Human Resources

Energy conservation and climate change

- Energy use increased by 9% to 12.9 million GJ and GHG emissions increased 6% to 2.5 million tonnes of CO_{2-e}, partly due to higher cement and lime production.
- Energy use and GHG emissions per tonne of clinker produced increased by 7% and 3%, respectively, mainly due to slowing of the Berrima kiln in the first half of the year to match lower market demand and an increasing number of kiln start-ups.

Reduce emissions per unit and to offset Boral's increases in absolute emissions as a result of market demand growth.

- Implement approved energy efficiency projects at all major sites under the EEO program.
- Continue to resolve regulatory issues to recommence the use of alternative fuels and increase the use of alternative iron source materials.
- Obtain EITE status and protection for cement and lime production.



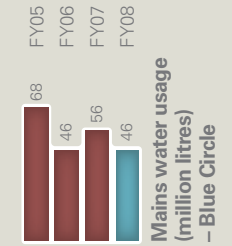
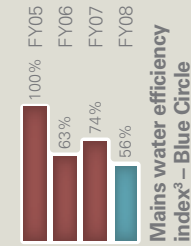
Environment

Water conservation, extraction and protection

- Blue Circle used 46 million litres of mains water in FY08, down 17% on the prior year due to the use of alternative sources of water (eg pit water from quarries) to offset increases in production. Mains water usage in Asia was ~407 million litres.

Reduce mains water consumption across the division.

- Update water security plans across key sites.
- Resolve regulatory issues around use of industrial-treated waste water as alternative water supply at Berrima.

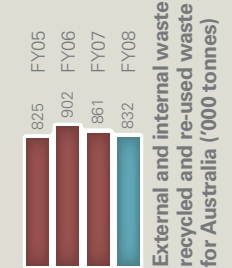
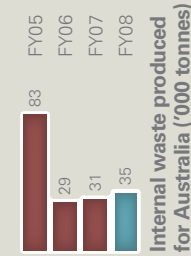


Waste and resource management, recycling and re-use

- Blue Circle re-used and recycled ~831,000 tonnes of internal/external waste and by-products, including ash produced by power plants, slag used in clinker production, and tyres, Hi Cal 50, tallow and waste oils producing ~1 PJ of alternative fuels.
- Berrima continued to work with suppliers and regulators on the use of iron bearing wastes to reduce the requirement to mine virgin iron ore.

Minimise waste from our operations and increase the amount of 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 derived fuel at Waurn Ponds.



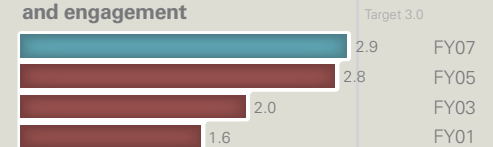
Community relations and engagement

- Berrima, Maldon, Galong and Waurn Ponds sites have active Community Liaison Committees and community engagement programs.
- Through Boral's *Building Communities* partnership with World Vision, ~\$30k of cash and materials provided to projects in Thailand in FY08. Further support to local communities in Indonesia by establishing water supply to five villages, funding and providing English and technical education to ~90 secondary school students.

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.

BSDT Scorecard⁴ Community relations and engagement



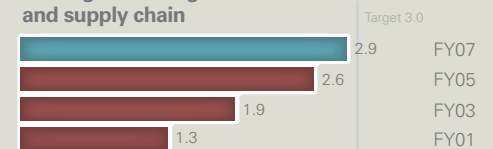
Strategic sourcing and supply chain

- Blue Circle Ash has gained acceptance of EnviroAgg[®] products in the masonry industry. EnviroAgg[®] uses more recycled materials and is light weight, high strength and has improved fire rating.
- In July 2008, DECC issued Berrima with three Penalty Infringement Notices relating to air testing procedures by contractors, procedures for receipt and use of non-standard fuels, and receipt of out of specification fuel. Berrima has improved procedures relating to contractors and suppliers of standard and non-standard fuels.

Manage supply chain in a sustainable way including consideration of environmental, health and safety, and social standards.

- Continue to grow volumes of sustainable products such as EnviroAgg[®].
- Ensure external suppliers and contractors are adhering to recognised standards of safety, quality control and testing procedures.

BSDT Scorecard⁴ Strategic sourcing and supply chain



About Cement

Cement comprises: Blue Circle Southern Cement and Construction Related Businesses (CRB) (Formwork & Scaffolding, Windows and De Martin & Gasparini concrete placing) in Australia and the Asian construction materials operations in Indonesia and Thailand. Blue Circle 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 division has 142 operating sites under Boral management, around 2,000 employees in Australia, and around 3,500 employees in Asia. Environmental data is for 100% owned businesses excluding De Martin & Gasparini and Formwork & Scaffolding as data from these businesses is immaterial.

¹ In preparation for reporting under the National Greenhouse and Energy Reporting Guidelines, Scope 2 factors have been applied for electricity in FY08. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted to take into account Scope 3 electricity changes.

² If quantitative waste data is not available, waste is calculated through a mass balance equation or estimated through sampling. Waste recycled/re-used includes internal waste, external waste and by-products consumed.

³ Indexed to 100% in FY05 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.

⁴ BSDT scores excludes Asia. BSDT assessments were introduced into Indonesia in 2005 and into Thailand in 2007. Current BSDT score for Asia is 1.6.



“All our manufacturing sites gained accreditation to Australian Standard 4801:2001 during the year, signifying that our businesses have best practice Occupational Health Management Systems in place to further improve our already solid safety performance. We also took greater responsibility for product life-cycle through Midland Brick’s recycling program, which was awarded the 2008 HIA GreenSmart Award for Resource Efficiency and two awards in the Keep Australia Beautiful Sustainable Cities Award.”

Keith Mitchelhill, Executive General Manager

Clay & Concrete Products



364,000 tonnes CO_{2-e} emitted (7%↓)¹



215,000 tonnes of waste recycled/re-used² (7%↓)



200 million litres of mains water consumed (6%↑)



3.1 (target 3.0)

Our performance

Our goals/plans

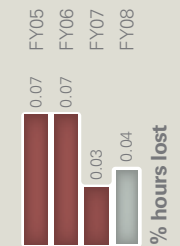
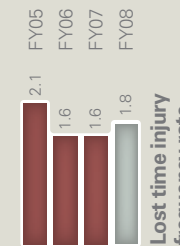
Human Resources

Health and safety

- Accreditation to AS/NZS 4801:2001 across manufacturing sites.
- LTIFR of 1.8 and % hours lost of 0.04.
- Reviewed electrical systems at all sites as part of an electrical safety program and upgraded roofing contractor management system.
- Bricks NSW awarded the 2007 National Safety Council of Australia’s Award for Business Excellence through OH&S Management.

25% improvement on last three-year average LTIFR and % hours lost.

- *Maintain safety system accreditation to AS4801.*



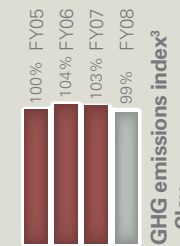
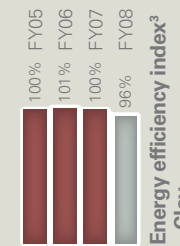
Environment

Energy conservation and climate change

- Energy use and GHG emissions decreased by 7% to 5.1 million GJ and 364,000 tonnes of CO_{2-e}, respectively, reflecting lower production and efficiency gains from kiln optimisations, improved product design and energy efficient lighting.
- Clay product energy use and GHG emissions per tonne of production decreased by 4% on prior year, reflecting energy efficiency gains.
- Midland Brick participated in the Federal Government’s EEO program focusing on two of its kilns.

Reduce emissions per unit and offset Boral’s increases in absolute emissions as a result of market demand growth.

- *Carry out Energy Efficiency Opportunities (EEO) assessments for Badgerys Creek, Darra and Scoresby.*
- *Implement selected EEO initiatives at Midland Brick to deliver a reduction in kiln energy usage.*



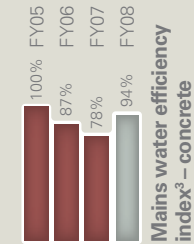
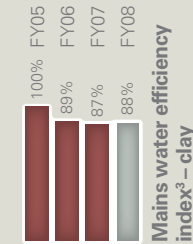
Social Responsibility

Water conservation, extraction and protection

- Mains water use increased 6% from FY07 due in part to difficulties in using recycled water, and temporary pipe leakages. At 200 million litres, mains water consumption remains 20% below FY05 levels.
- On a per tonne of clay production basis, mains water use increased by 1.4%.

Reduce mains water consumption across the division.

- *Reduce mains water usage at Badgerys Creek through a recycled waste water program.*
- *Initiatives to increase the harvest of on-site water.*

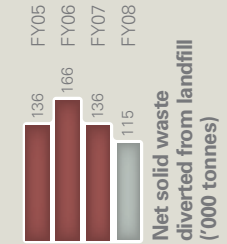
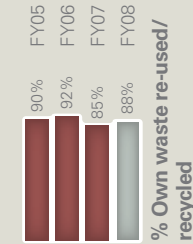


Waste and resource management, recycling and re-use

- C&C, a net consumer of waste, used 125,000 tonnes of external waste in production in FY08, and re-used/recycled 88% of own waste.
- Introduced lightweight masonry block in NSW, which uses over 50% recycled material by weight.
- Midland Brick's recycling program collected 14,000 tonnes of brick and concrete waste from customer sites, up 80% on last year.

Minimise waste from operations and maximise percentage of waste re-used and recycled.

- *Increase usage of demolition waste through Midland Brick Recycling Program.*
- *Single site pilot program to reduce reliance on virgin clay materials by up to 5%.*



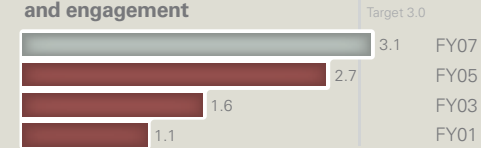
Community relations and engagement

- Ongoing community engagement groups at various sites.
- Midland Brick and Conservation Volunteers Australia program to help preserve natural habitat of Western Swamp Tortoise continued. Activities included weed control, reduction of exotic flora, fence repair to reduce unauthorised access, and planting seedlings to improve biodiversity.

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.*
- *Plant approximately 10,000 trees around selected WA sites.*

**BSDT Scorecard
Community relations and engagement**



Marketplace and Supply Chain

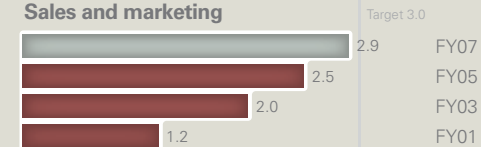
Sales and marketing

- Developed a new, lightweight masonry product, over 20% lighter than conventional blocks: key benefits include improved manual handling, reduced energy use for transport, and increased use of waste.
- Through Think Brick and Newcastle University, continued to research and promote Thermal Mass as a factor in energy efficient building.

Ongoing development of sustainable products.

- *Development of lifecycle inventory and lifecycle assessments for key products.*

**BSDT Scorecard
Sales and marketing**



About Clay & Concrete Products (C&C)

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 1,800 full-time equivalent employees and approximately 900 contract employees in Australia.

¹ In preparation for reporting under the National Greenhouse and Energy Reporting Guidelines, Scope 2 factors have been applied for electricity in FY08. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted to take into account Scope 3 electricity changes.

² If 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 waste consumed.

³ Indexed to 100% in FY05 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 and standard weight products.



“During the year, we continued to investigate the viability of plantation and co-generation strategies in light of the proposed Australian Carbon Pollution Reduction Scheme. We also supported our hardwood log supplier Forests NSW in attaining AFS certification, a globally recognised certification scheme, providing additional assurance that Boral’s log stocks are drawn from sustainably managed forests. Our own Plywood business also achieved AFS certification for timber sourcing and resource stewardship.”

Bryan Tisher, Executive General Manager

Timber



29,000 tonnes
CO_{2-e} emitted (2%↑)¹



223,000 tonnes
of waste recycled/re-used² (2%↑)



81 million litres
of mains water consumed (10%↓)



BSDT 2.8 (target 3.0)

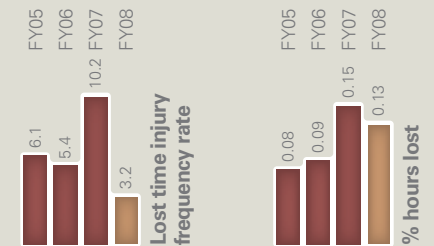
Our performance

Health and safety

- Safety performance improved in FY08, with a reduction in lost time injuries to five compared to 16 in FY07.
- LTIFR decreased to 3.2, down from 10.2 in FY07 and % hours lost decreased from 0.15 to 0.13 in FY08.
- The annual Safe Mate system audit continued to show incremental improvement in safety management across the business as well as highlighting improvement opportunities.
- Programs in hazard reduction, manual handling education and improved injury management were undertaken.

Our goals/plans

- 25% improvement on last three-year average LTIFR and % hours lost.
- *Expand “Safe Mate” strategy to fully incorporate Boral’s best practice elements.*
 - *Further evolve manual handling initiatives.*

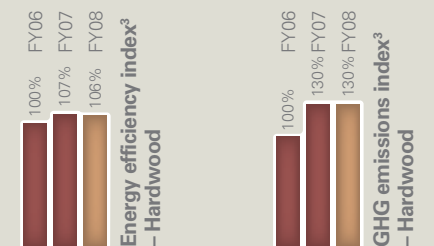


Human Resources

Energy conservation and climate change

- GHG emissions increased by 2% to 29,000 tonnes of CO_{2-e} reflecting increased production volumes.
- Energy use of 858,000 GJ remained steady year-on-year.
- Energy and GHG emissions per tonne of hardwood production remained relatively steady year-on-year.

- Reduce emissions per unit and offset Boral’s increases in absolute emissions as a result of market demand growth.
- *Continue to develop plantation strategy in light of any potential carbon trading schemes/tax regimes.*



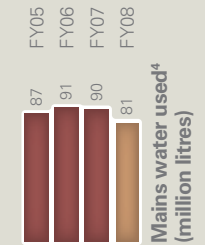
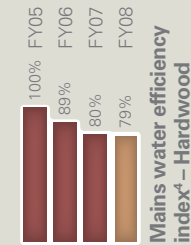
Environment

Water conservation, extraction and protection

- Mains water use of 81 million litres decreased 10% in FY08 due to significant water saving projects at Ipswich and the "wet bulb" kiln initiatives at Murwillumbah.
- Water savings and "leak control" program at HPP has reduced daily water consumption at site by up to 30%, saving more than 15.9 million litres of mains water to date.

Reduce mains water consumption across the division.

- Further develop Plywood water saving programs to achieve an overall reduction of 25% on mains water use.
- Implement processing systems for storm water and process water to reduce mains water consumption by a further 20% at HPP.

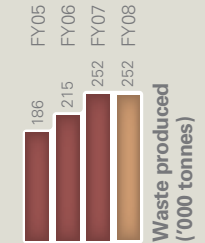
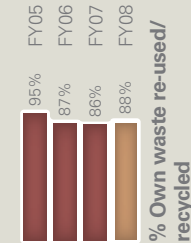


Waste and resource management, recycling and re-use

- Used ~223,000 tonnes of timber residues in paper production, biomass fuels, landscaping and animal husbandry.
- Sawdust residues from northern NSW operations used as biomass fuel for co-generation facilities and as a heating fuel for Boral's Kempsey brick plant.

Improve conversion of timber resource to value-added timber product.

- Improve sawing technologies, particularly 'sizing' on log breakdown and re-sawing.
- Continue business case studies into biomass fuels and co-generation options.



Social Responsibility

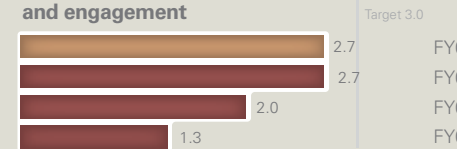
Community relations and engagement

- Provided financial assistance to 10 teachers and career advisers to attend the National Careers forum at the Australia Timber conference.
- Ongoing community engagement group established at Ipswich.
- ~100 attended the Koolkhan open day.
- Site visits by ~100 school, TAFE and regional medical students.

Contribute positively to regional communities.

- Build plant scale; develop alternate markets/products to strengthen long-term sustainability of Boral's operations, which are recognised as important regional employers.
- Participate in local Conservation Volunteers Australia projects.
- Investigate public open days at other timber facilities.

BSDT Scorecard Community relations and engagement



Marketplace and Supply Chain

Sales and marketing

- Boral Plywood achieved certification of the Chain of Custody System (AS4707-2006) and Australian Forestry Standard certification (AS4708-2007). These certifications provide assurances that Boral's plywood products have systems in place to track the timber from its origin in a certified sustainable forest through to the point of manufacture.

Use Boral's supply chain to deliver improved sustainability outcomes.

- Obtain Chain of Custody and AFS certification for Boral's hardwood products.
- Continue to develop systems and processes for the transport of goods to ensure compliance with chain of responsibility requirements.



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 s42.

The division has 17 operating sites under Boral management and approximately 750 employees in Australia.

¹ In preparation for reporting under the National Greenhouse and Energy Reporting Guidelines, Scope 2 factors have been applied for electricity in FY08. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted to take into account Scope 3 electricity changes.

² If 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 waste consumed.

³ Indexed to 100% in FY06 as base year (due to improved data collection since FY06) on a per unit of production basis.

⁴ Indexed to 100% in FY05 as base year per unit of production.



“It has been an exciting year with the achievement of zero LTIs, a first for a Boral division and the commissioning of our new plant in Queensland. Our new plant sets new standards, utilising efficient calcining and drying technology, extensive rainwater harvesting, and recycling of major waste streams. Our employee and customer survey results are also pleasing with an 86.9% customer satisfaction index and 93% of employees being engaged or highly engaged.”

Ross Batstone, Executive General Manager

Plasterboard



116,000 tonnes CO_{2-e} emitted (3%↓)¹



43,000 tonnes of waste recycled/re-used² (14%↑)



309 million litres of mains water consumed (8%↓)²



BSDT 3.1 (target 3.0)

Our performance

Human Resources

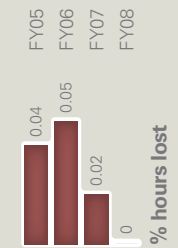
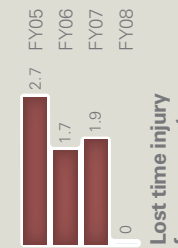
Health and safety

- Zero LTIFR and hours lost in FY08.
- Over 1,700 actions raised with 96% closed out by the agreed date, well above the FY08 targeted rate of 85%.
- More than 10,000 safety conversations recorded in the business, enabling transparent and open communication at all levels.

Our goals/plans

25% improvement on last three-year average LTIFR, and % hours lost.

- Continue the focus on high risk activities and the use of national management systems.
- Continue to implement lead indicators to encourage behaviours needed to enhance performance for both employees and contractors.



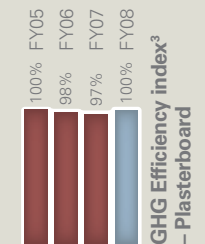
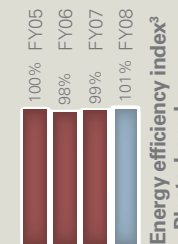
Environment

Energy conservation and climate change

- Underlying energy use and GHG emissions of 1.6 million GJ and 116,000 tonnes of CO_{2-e} decreased by 3% year-on-year.
- However, total energy use and GHG emissions per unit of Australian plasterboard increased by 2% and 3% year-on-year as a result of commissioning of the Pinkenba plant.
- Boral's equity interests in Australia (GRA and Rondo) generated 4,000 tonnes of CO_{2-e}, while the Asian plasterboard JV LBGA emitted 165,000 tonnes of CO_{2-e}.

Reduce emissions per unit and offset Boral's increases in absolute emissions as a result of market demand growth

- Carry out energy efficiency assessments at Port Melbourne
- Reduce GHG emissions per tonne of production at Pinkenba through the use of new technologies

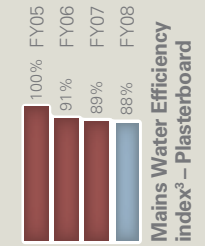
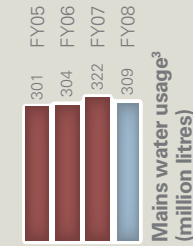


Water conservation, extraction and protection

- 309 million litres of mains water was used in FY08. Despite the commissioning of the Pinkenba plant, mains water was down 4% from FY07 due to the implementation of water efficiency improvement plans across the three plants.
- Mains water use per unit of board produced decreased by 5% in FY08 relative to FY07.

Reduce mains water consumption across the division.

- *Reduce reliance on mains water at Pinkenba by up to 30% through the use of harvested rainwater.*
- *Investigate rainwater harvesting at Port Melbourne and Camellia.*

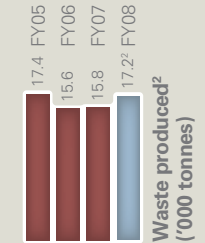
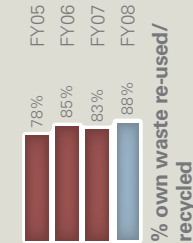


Waste and resource management, recycling and re-use

- As a net consumer of waste, plasterboard recycled/re-used more than 43,000 tonnes of waste in FY08.
- Excluding commissioning waste at Pinkenba, % of own waste re-used and recycled increased 5% in FY08 to 88% due to improved plant performance and data collection.
- Waste produced as a result of commissioning of the Pinkenba plant will largely be re-used/recycled over time. However, ~450 tonnes of waste unable to be stockpiled was sent to landfill.

Minimise waste from our operations and increase the amount of waste re-used and recycled that would have otherwise gone to landfill.

- *Investigate further waste recycling opportunities.*
- *Continue reducing all forms of waste.*



Social Responsibility

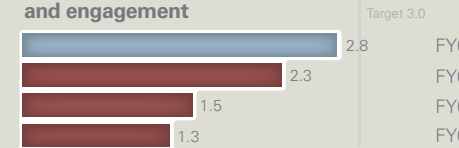
Community relations and engagement

- Boral Plasterboard is an active community and industry body which meets regularly with the Peninsular Committee, an industry body at Rosehill.
- Extensive community consultation prior to the construction of Pinkenba plant.
- Extend BWell health and wellbeing education and events to extended family and friends. Initiated the inclusion of 100+ family and friends for the 2007 City 2 Surf.
- Participated in JDRF resulting in staff raising double the average Boral fundraising effort.

Maintain the support and goodwill of communities surrounding Plasterboard's activities through engaging and consulting on relevant issues.

- *Ensure community concerns are considered when implementing major capital works which may impact the community.*

BSDT Scorecard Community relations and engagement



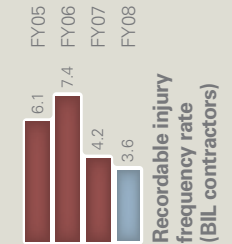
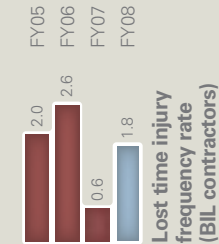
Marketplace and Supply Chain

Strategic sourcing and supply chain

- BIL (Boral Interior Lining) continues to lead the industry in safety performance by maintaining industry best practice for RIFR <7.5 and LTIFR < 3.
- BIL implemented a rewards system and standardised Public Liability insurance cover for plasterers in Victoria in FY08.
- BIL's OH&S Management System has been nominated for the 2008 Worksafe Victoria Awards.
- Plasterboard has adopted product Life Cycle Analysis to measure GHG emissions and other impacts, to establish a baseline for continuous improvement.

Manage Boral's supply chain in a sustainable way including consideration of environmental, health and safety, and social standards.

- *Introduce crane trucks to help eliminate manual handling for waste removal.*
- *Review safe work practices at site delivery to look at ways of eliminating potential falls from heights.*
- *Continue to develop Life Cycle Analysis work for plasterboard.*



About Plasterboard

Operations are focused on gypsum mining and the manufacturing of plasterboard and plaster products such as cornices, ceiling tiles and compounds. The division has: four operating sites and 50 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 650 employees in Australia.

¹ In preparation for reporting under the National Greenhouse and Energy Reporting Guidelines, Scope 2 factors have been applied for electricity in FY08. In previous years, Boral applied full lifecycle (Scope 2 and 3) to electricity emissions. Historical comparisons have been adjusted to take into account Scope 3 electricity changes. Year-on-year emissions and water comparison excludes the commissioning of Pinkenba.

² If 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 waste consumed. Year-on-year comparison excludes the commissioning of Pinkenba.

³ Indexed to 100% in FY05 as base year. Calculations based on total divided by square metres of plasterboard produced for Australia only.



“This year our focus has been on managing the market downturn, which has had a significant impact on our facilities and workforce. Despite this, we have continued to meet or exceed our sustainability objectives, including commissioning the Terre Haute brick plant, the first to be built to the US Green Building Council’s LEED standards. Also, all of our businesses became Founding Members of The Climate Registry, to promote disclosure and verification of GHG emissions.”

Emery Severin, Executive General Manager

USA



352,000 tonnes CO_{2-e} emitted (23%↓)¹



3.5 million tonnes of waste and by-products recycled/re-used² (8%↓)



341 million litres of mains water consumed (21%↓)¹



BSDT 3.1 (target 3.0)

Our performance

Our goals/plans

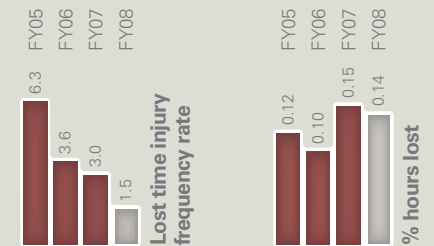
Human Resources

Health and safety

- 50% LTIFR reduction to 1.5 due to strong performances in Denver Construction Materials and Bricks. Percent hours lost decreased to 0.14.
- Workers compensation claims costs decreased by 34%.
- The Behavioural Accident Prevention Process continues to deliver strong results with 418 barriers removed, or being removed, to promote safer work practices.

25% improvement on last three-year average LTIFR and % hours lost.

- *Develop a simple framework for reliable risk evaluation and risk management.*
- *Continue to review Contractor Safety Management Systems.*
- *Fully integrate behavioural-based safety management with traditional compliance safety processes.*



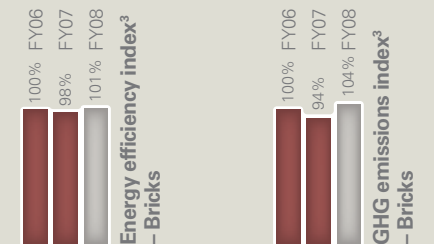
Environment

Energy conservation and climate change

- Energy use and GHG emissions of 6 million GJ and 352,000 tonnes of CO_{2-e} decreased by 24% and 23% year-on-year, respectively, primarily reflecting lower production.
- Energy use and GHG emissions per tonne for brick production were up 3% and 5% against the prior year, reflecting curtailed production levels and subsequent decreased efficiencies.
- The new Terre Haute brick plant is currently operating on ~80% landfill gas.
- Boral Bricks has piloted a technology that converts waste products into alternative fuel to reduce our dependency on fossil fuels.

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.*
- *Improve energy efficiency by shifting production capacity to higher efficiency plants.*



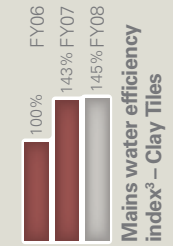
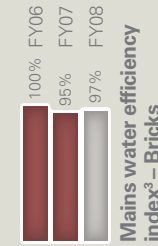
Social Responsibility

Water conservation, extraction and protection

- Mains water use reduced by 21% on prior year largely due to lower production volumes.
- Bricks mains water usage per unit of production was up 2% on prior year, again as a result of decreased production efficiencies.

Reduce water consumption across the division.

- *Improve collection and recycling/re-use of water.*
- *Continue elimination of unnecessary water use.*
- *Outsource water intensive activities such as truck washing and saw cutting to entities better able to recycle/re-use.*

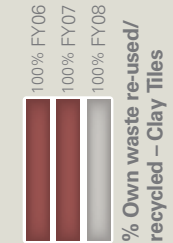
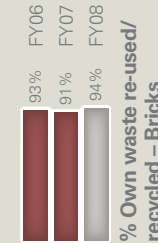


Waste and resource management, recycling and re-use

- USA remains a net consumer of waste, re-using/recycling ~3.5 million tonnes of external and internally generated waste and by-products and re-using/recycling 94% of its own waste.
- US Tile continues to re-use or recycle 100% of tile waste.
- Bricks USA achieved a 56% reduction in the landfilling of production waste compared with FY07.

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.*



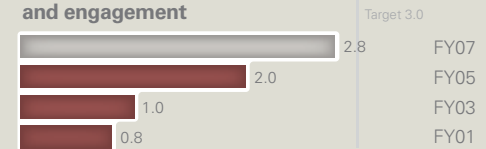
Community relations and engagement

- Employees, families and friends have fundraised >US\$145,000 for JDRF since 2005.
- Through Boral's HomeAid partnership, clay roof tiles were provided for Casa de Amparo, an emergency housing facility for abused, neglected or abandoned children. Bricks were donated to the Phoenix Pass, a shelter for women and children.
- Six educational scholarships of \$US4,000 each for employees' children.

Maintain the support and goodwill of communities surrounding Boral's activities through engaging and consulting on relevant issues.

- *Participate in the JDRF Walk for a Cure and match employee fundraising to a limit of US\$25k pa.*
- *Support HomeAid through provision of materials to designated projects in 2008/09.*

BSDT Scorecard
Community relations and engagement



Marketplace and Supply Chain

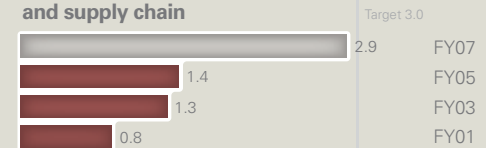
Sales and marketing

- US Tile has applied for Cradle to Cradle certification for a line of products. Cradle to Cradle evaluates product lifecycle and its impacts on the environment, human health and social equality.
- BMTI has increased its volume of marketable treated fly ash by almost 7% on last year that would otherwise have required landfilling.

Continue to develop sustainable products and promote sustainability of existing products.

- *Certify products to applicable and reputable "environmental" standards.*
- *Continue product development and innovation to enhance the use of marketable fly ash, a waste by-product that would otherwise go to landfill.*

BSDT Scorecard
Marketing, procurement and supply chain



About USA

Boral's US operations include clay brick and roof tile manufacturing, fly ash marketing and re-use and concrete and quarry operations in Denver, CO. and Oklahoma City, OK. The division has 106 operating sites and 58 distribution sites under Boral management and over 2,200 employees in the USA. Boral owns 50% of the MonierLifetile joint venture which is under MonierLifetile management. Boral is also a 50% joint partner in a clay roof tile operation in Trinidad. Sustainability data is reported for 100% owned businesses only.

¹ Previous years' data has been restated due to invoice and metering reconciliation. FY07 data has been restated by an additional 22,000 tonnes of CO₂e and 20 million litres of mains water, while FY06 data was overstated by 100 million litres of mains water.
² If waste data is not available, waste is calculated through a mass balance equation or estimated through sampling. Waste recycled/re-used includes internal waste, external waste and by-products consumed.
³ 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.

Independent 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 the *2007/2008 Sustainability Report* (the 'Report'). The Report presents Boral's sustainability performance over the period 1st July 2007 to 30th June 2008. 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 our assurance activities is to the Board and Management of Boral alone, 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

The assurance was undertaken in accordance with the *AA1000 Assurance Standard*, which is based on the principles of Materiality, Completeness and Responsiveness. A detailed description of these principles can be found in our full statement at www.boral.com.au/sustainability.

Assurance Objectives and Process

The objective of the assurance process is to provide stakeholders of Boral with an independent opinion on the quality of the report. This is confirmed through verification of the claims made, and a review of the organisation's underlying systems, processes and competencies that support the report with respect to the principles of materiality, completeness and responsiveness. Ensuring continuous improvement in data management systems and associated reporting processes is also a complementary objective.

The assurance engagement was undertaken between June and September 2008. A detailed description of the assurance process can be found in our full statement on the website.

Assurance Level and Limitations

The level of assurance provided is reasonable as defined by the scope and methodology described in this assurance statement. A detailed description of the assurance limitations is contained in our full statement at www.boral.com.au/sustainability.

Our Independence and Capacity

A detailed description of our independence and capacity can be found in our full statement at www.boral.com.au/sustainability.

Our Opinion

Based on the scope of the assurance process, the following represents the assurance provider's opinion:

- The findings of the assurance engagement provide confidence in the information contained within the Report. The level of data accuracy was found to be within acceptable limits. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All errors noted by the assurance provider were satisfactorily addressed by Boral prior to finalising the report.

Overall, the assurance provider is satisfied that the Report is an appropriate representation of Boral's sustainability performance during the reporting period.

Conclusions

- **Materiality:** Environmental, social and broader economic aspects and issues that are considered material to stakeholders and peers have been addressed and communicated within the Report. Boral has restructured this year's report so that it is in line with the requirements of the BSDT, which provides a consistent approach between how Boral internally assesses performance against material aspects and how Boral reports this performance to stakeholders externally.
- **Completeness:** Boral has effective systems in place to measure, monitor and manage sustainability issues. Net Balance carried out visits to a number of sites during the assurance engagement and found that the teams responsible for managing sustainability were competent and had a good understanding of the material aspects of Boral's sustainability performance. Net Balance found that the information presented is comparable (in terms of year-on-year performance) and is in a format that is easily understandable by a range of stakeholders. Overall, Net Balance felt that the information presented is a fair representation of Boral's sustainability performance and is presented in a balanced manner.
- **Responsiveness:** Boral was found to be responding appropriately to the concerns of its stakeholders and adequately communicating those responses within the Report. Net Balance found that Boral actively engages with customers, industry groups, Government and the communities in which they operate. Results of stakeholder engagement are presented in a clear and concise manner within the report.

The Way Forward

It was found that Boral has a robust process in place for collecting sustainability performance information and that the Report appropriately addresses Boral's environmental, social and economic material issues. To ensure that Boral continues to improve, Net Balance has provided broad based suggestions for reporting on materiality assessment and stakeholder engagement, along with internal training and awareness raising on the assurance process. These have been outlined in a more detailed report presented to Boral management.

On behalf of the assurance team

3rd September 2008
Melbourne, Australia



Terence Jeyaretnam

Director, Net Balance & Lead CSAP
(IRCA UK)
Email:
terence@netbalancemanagement.com

Glossary and Data

Sustainability data table

For the year ended
30 June 2008

Boral operations¹

Year-on-year
change²

Boral's equity
share of JVs³

People and Safety

Employees, FTE's	15,928	(1.6%)	
LTIFR, per million hours worked	2.5	(11%)	
Hours lost, %	0.08	(11%)	

Energy consumed

Coal, tonnes ('000)	283.67	3%	–
Natural gas, petajoules	13.20	(8%)	17.71
Electricity, GWh	830.12	4%	103.84
Diesel, litres (millions)	162.23	3%	3.27
LPG, litres (millions)	4.72	(8%)	0.08
Petrol, litres (millions)	8.44	9%	0.08
Alternative fuels, petajoules	1.79	(17%)	1.00

Greenhouse gas emissions

CO _{2-e} , tonnes (millions)	3.79	1%	0.20
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Water consumption

Mains water, litres (millions)	2,819.8	(4.6%)	63.16
River water, litres (millions)	308.3	N/A	
Surface water, litres (millions)	2,866.5	N/A	
Ground/bore water, litres (millions)	791.9	N/A	

Waste

Waste product produced, tonnes ('000)	1372.2	2%	190
Waste recycled/re-used ⁴ , %	43% – 100%	N/A	
Waste and by-products re-used or recycled tonnes ('000)	5,557.4	3.6%	
External waste used, tonnes ('000)	4,322.9	2%	

Community investment

Community investment in eight key partnerships (total cash and materials)	\$591,500	–	
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Employee fundraising	\$443,000	32%	
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Human
Resources

Environment

Social
Responsibility

Glossary and abbreviations

BSDT	Boral Sustainability Diagnostic Tool	LUAC	Large User Abatement Certificate
Calcination	The process of reducing limestone to quicklime by roasting in the kiln	NGAC	NSW Greenhouse Abatement Certificate
CDP6	Carbon Disclosure Project	Number of employees	Number of employees on a full-time equivalent basis is used to identify total employee numbers and employee numbers by division and by region. The number of employees does not include contractors.
CO _{2-e}	Carbon dioxide equivalent	Operating sites	Wholly owned or 50% owned JV operating site excluding sales, administration and distribution offices
CNG	Compressed Natural Gas	RAP	Recycled asphalt pavement
CRI	Corporate Responsibility Index	Recycling	Waste material being used in a new product
CPRS	Carbon Pollution Reduction Scheme	Re-use	The incorporation of waste material back into the same product
EMS	Environment Management System	RIFR	The Recordable Injury Frequency Rate (RIFR) is the number of employee injuries that result in medical treatment as well as those that result in lost work time per million work hours
EOWA	Equal Opportunity for Women in the Workplace Agency	Staff turnover	The number of employee departures during the year divided by the average number of full-time equivalent staff members employed during year, and multiplied by 100
Fly Ash	Fly ash is a by-product of coal-fired electricity generating plants; it has cementitious properties and is therefore used as an important (cost-reducing) additive in cement	Water usage	Reported water usage is the amount of mains water consumed for the 12 month period to 30 June or in some cases, as stated for Clay & Concrete Products, for the 12 month period covered by usage invoices that most closely match the financial year ended 30 June
FY	Financial Year		
Greenhouse Gases (GHG)	Greenhouse gases (GHG) are gases in the atmosphere that are linked to the greenhouse effect. The main GHG are CO ₂ and methane. GHG emissions for Boral are reported in tonnes of CO ₂ equivalent (CO _{2-e}), calculated from energy use data using conversion factors from the Department of Climate Change and from the EPA AP 42 factors in the US. Reported GHG emissions are for the 12 month period to 30 June		
GJ	Gigajoule		
HIA	Housing Industry Association		
JDRF	Juvenile Diabetes Research Foundation		
LBGA	Lafarge Boral Gypsum in Asia		
LTIFR	The Lost Time Injury Frequency Rate (LTIFR) for a particular period is the number of employee Lost Time Injuries (LTIs) per million hours worked during the period. Contractors are not included in employee LTIFR. Contractors LTIFR is reported separately on page s16		

¹ 100% owned Boral operations.

² On a comparative basis, excluding year-on-year scope changes.

³ Includes data from the following Australian and Asian JV businesses: Sunstate Cement, Gypsum Resources Australia, Rondo, Highland Pine Products, and Lafarge Boral Gypsum Asia (energy and GHG data only).

⁴ Boral's total waste recycled / re-used represents a range across Boral's products.