

## Principle 2: Structure the board to add value

### Structure of the Board

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

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

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

The period of office held by each current Director is:

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

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

### Chairman's appointment and responsibilities

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

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

### Committees

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

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

### Director independence

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

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

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

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

### Nomination and appointment of Directors

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

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

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

---

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

### **Induction**

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

### **Tenure of Directorships**

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

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

### **Evaluation of Board performance**

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

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

### **Conflicts of interest**

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

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

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

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

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

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

#### **Conduct and ethics**

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

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

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

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

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

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

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

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

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

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

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