

## Managing Sustainability



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

Boral's Board of Directors is accountable to shareholders for appropriately overseeing Boral's business, including sustainability matters. The Company's corporate governance practices and frameworks provide the means by which the Board monitors performance on behalf of shareholders.

Boral's Values, policies and operating frameworks provide guidance to its employees and managers in managing their businesses in a sustainable way.

### Corporate governance

Details of Boral's governance framework and practices are disclosed in the Corporate Governance section of the Annual Review (pages 31 to 37) and on our website. Responsibilities of Boral's Board which relate to sustainability are:

- oversight of the Company, including its conduct and accountability systems;
- reviewing the performance of the chief executive officer and senior management;

- reviewing sustainability performance and overseeing occupational health and safety and environmental management performance;
- meeting legal requirements and ensuring that the Company acts responsibly and ethically and prudently manages business risks and assets; and
- remuneration policies and practices for Boral and the remuneration arrangements for senior executives.

Executive General Managers, functional heads and the Managing Director regularly report to the Board on progress and performance as it relates to health and safety, climate change, broader aspects of environmental and community management, human resources and risk management.

### Management responsibility

Boral's Management Committee, which comprises Boral's Managing Director, divisional Executive General Managers and key functional General Managers, is responsible for delivering Boral's sustainability objectives.

Sustainability management is integrated into the day-to-day activities of line management. Specialists in health and safety, environmental services, corporate affairs and human resources provide advisory support and corporate functions. Sustainability matters are also integrated into individual managers' objectives, which are linked to variable remuneration outcomes.

Since January 2007, an internal Energy and Climate Change Technical Working Group (ECCTWG) has been in place to make recommendations and advise the Management Committee on technical issues relating to climate change matters. The ECCTWG reports back to the Management Committee on at least a bi-monthly basis. Work undertaken by the ECCTWG is discussed on page s19.

### Our Values

Boral's Values describe how we do things and influence our business activities. Our Values are: Leadership, Respect, Focus, Performance and Persistence. Our corporate Values are referred to in our Strategic Intent to reinforce their ongoing importance in Boral, and they are incorporated into annual performance reviews to assess behaviour or workplace style and effectiveness. Examples of expected behaviour are

provided for managers to ensure a common understanding of Boral's Values across the organisation.

### Our policies

The Boral Management Guidelines contain our formal Code of Corporate Conduct and 52 policies and guidelines setting out legal and ethical standards for employees. Our Code of Corporate Conduct articulates the standards of behaviour that are expected of Boral's employees in the performance of their duties. The Boral Management Guidelines are reviewed triennially and will be reviewed again in 2010.

### Boral Sustainability Diagnostic Tool

The BSDT assessment process is an integral tool in Boral's sustainability management and is discussed on page s4.

### Our management approach to our people

Most of our Human Resources (HR) activities are managed within divisional management structures, including: performance management and development plans; employee surveys; employee relations; organisational effectiveness reviews; divisional HR planning; recruitment and induction management; and maintenance of employee records.

Boral's line managers play a significant role in the daily HR processes. Boral has 52 specialist HR staff working within Boral's divisions, most of whom are actively involved in business processes to ensure that support is provided to line managers to deliver business plans and objectives.

A small corporate HR team provides an advisory and support service to the divisions, as well as managing centralised HR activities such as: superannuation; remuneration reviews and incentive schemes; learning and organisational development; health and safety direction; and workers' compensation.

The corporate function also plays a governance and assurance role for HR processes and behaviours and is responsible for: Boral-wide policies; succession planning; MBA and graduate recruitment; indigenous employment; management of expatriates; and HR planning for Boral.

HR strategy is developed at a divisional level and communicated through to the Board via divisional strategic plans on an annual basis.

Incorporated into the Boral Management Guidelines is a series of HR policies and guidelines including policies on diversity, employee complaints, harassment, induction, leave and performance management.

### Our management approach to health and safety

In line with our Value of Respect, Boral is committed to providing safe and healthy working environments for all people involved in our business, including employees, contractors, visitors and the general public.

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

#### Responsibilities

Across Boral's businesses, there is an emphasis on all managers demonstrating commitment and leadership – on being role models by doing what is right and not just what is expedient. This creates an environment where employees take personal responsibility for health and safety issues and for sharing information.

In addition to the health and safety professionals working in Boral's divisions, there is a small corporate health and safety function that provides advice and support to divisions and assurance to the Board of Directors and the Management Committee. The corporate function assists in safety management planning and Boral-wide or cross-divisional initiatives, audits and assessments, and reporting systems.

#### Management system

Boral's Health and Safety Management System embodies the requirements contained within Australian Standards 4801:2001 and 4804:2001 and has been designed to take account of the scope and diversity of Boral business functions.

Boral's Health and Safety Management System articulates the minimum requirements to ensure consistent practice across Boral's businesses whilst enabling each division and business unit to develop Health and Safety Management Systems that address their individual requirements.

Boral has a formal Health and Safety Policy which applies across all Boral businesses globally. The policy states our fundamental commitment to providing safe and healthy working conditions for all people involved in our operations, including employees, contractors, visitors and the general public, and how we work towards meeting that commitment. The policy is displayed at all Boral worksites and posted on our intranet and website.

Boral's Best Practice Elements (BPEs) broadly define the fundamental principles of health and safety activity at Boral. The BPEs are designed to enable each business to develop health and safety systems and processes that address individual business requirements while ensuring consistent high quality practice in critical safety areas across the organisation (refer to Figure 1).

Boral's High Consequence Protocols set out rules and procedures to manage specific hazards that are associated with serious injuries and fatalities. Boral's high risk hazards include mobile equipment; equipment safeguarding; isolation of plant and equipment; and working at heights. These protocols are integrated into Boral's Health and Safety Management System.

#### Accountability and performance management

Boral's BPEs define required levels of accountability and responsibility for safety performance. Individual management accountabilities are linked to strategic plans with performance measured and linked to managers' variable remuneration.

A component of the variable remuneration of Boral's Managing Director, Executive General Managers and senior line managers is also linked to safety performance.

#### Compliance review and reporting

The corporate health and safety team undertakes formal reviews of divisional performance, reporting back to the Management Committee and the Board on a regular basis.

In addition to business level reporting, the following internal reporting takes place:

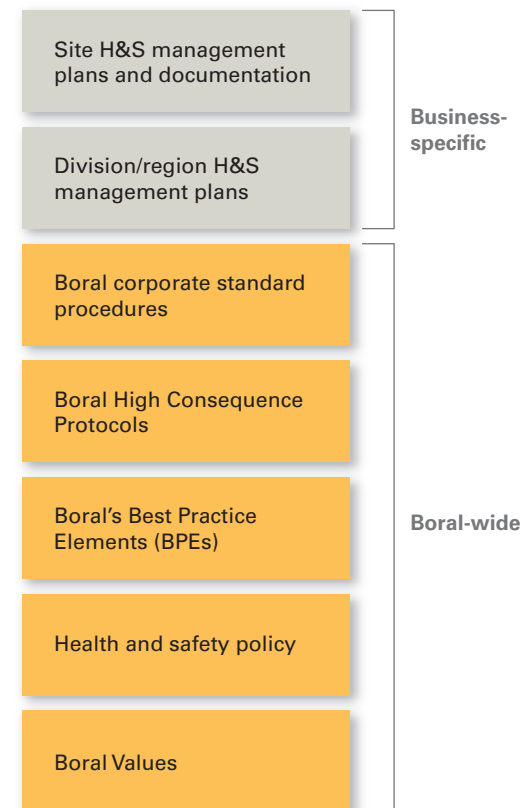
- Divisional management teams present their health and safety plans to the Board annually.
- The Management Committee reviews employee and contractor safety, including serious and potentially serious incidents, on a monthly basis.
- Safety results and updates are reviewed monthly by the Board of Directors.

Executive General Managers and business managers meet with the Board as soon as practicable to discuss and review all Boral-related accidents involving fatalities.

Boral's health and safety audit and assessment programs include corporate reviews against Boral's BPEs as well as a range of internal and independent third party audits and assessments which include:

- assessments of electrical safety management;
- management systems audits;

**Boral's Health and Safety Management System**, which is built on a foundation of solid corporate policies, standards and procedures, provides for the diversity and geographic spread of Boral's operations, and ensures accountability at the site level.



## Sustainability Management

## Managing Sustainability continued

- physical hazards audits;
- corrective action closeouts;
- regulatory compliance audits;
- contractor safety management audits; and
- audits against safety programs.

**Continuous improvement**

Boral's BPEs require continuous improvement in health and safety performance. Essential components of continuous improvement in safety outcomes include: engagement of Boral's people, communication, training and review.

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

Communication and consultation with employees on health and safety is achieved through a number of different consultative mechanisms at sites. Boral has an estimated 250 health and safety groups which cover a substantial proportion of Boral's workforce. These groups take on a number of roles including hazard identification, monitoring corrective actions, reviewing safe working practices, and overviewing health, safety and ergonomic considerations before purchase of materials and equipment.

Divisional safety alerts are broadcast to communicate serious accidents and near miss cases. Where cross-divisional learning opportunities exist, safety alerts are communicated throughout Boral's global operations. Incidents are captured in Boral's safety management information system and responsibilities are assigned against corrective actions to ensure tracking and monitoring through to completion.

Health and safety training is conducted extensively across Boral's global operations. The Leading Health and Safety residential program is designed to enable leaders to influence behaviours and manage safety activities leading to a culture of zero harm. Other training programs include site-specific safety training for employees and contractors which includes consultation, risk management, safe work practices, emergency procedures and first aid.

Boral's divisions maintain employee training databases to ensure that required competencies have been identified and are monitored to ensure that ongoing training needs are met.

**Our management approach to environment****Responsibilities**

Most environmental responsibilities are managed within Boral businesses, with 32 full-time equivalent environmental professionals working across Boral's divisions. All divisions have a sustainability or environment manager at divisional level.

Boral's corporate Environmental Services department consists of five full-time environmental professional staff; it provides advisory support services to all divisions globally and undertakes a governance role, including auditing the businesses, and reporting back to divisional management, the Managing Director and the Board. In addition, Boral's Sustainability Reporting Manager provides regulatory reporting and external communications support.

**Management system**

Boral's approach to environmental management is to develop business level environmental management systems based on an overarching Boral Environmental Management System (EMS), which is based on the International Standard ISO 14001 "Environmental Management System – Specification with guidance for use".

Boral has a formal Environmental Policy which applies across all of Boral's businesses. Our policy states that we are committed to pursuing industry-specific best practice in environmental performance or more specifically:

- reducing greenhouse gas (GHG) emissions;
- protecting and, where possible, enhancing biodiversity;
- remediating our contaminated sites;
- complying with environmental legislation; and
- continual improvement of environmental performance.

Boral's environmental management procedures include tools to be used by Boral's businesses to develop and implement their own EMS, as set out in Boral's Environmental Policy, and include EMS System Procedures and Environmental General Procedures. The EMS System Procedures are designed to interpret ISO 14001 for Boral users, while the Environmental General Procedures are designed to set out Boral's particular operational requirements and to assist Boral's divisions to develop and maintain their own EMS.

Figure 1  
Boral's health and safety Best Practice Elements (BPEs)

**Planning**

- Planning and performance indicators

**Implementation**

- Leadership and commitment
- Acquisitions, modifications and divestments
- Risk management
- People and training
- Contractors and suppliers
- Employee involvement
- Communication
- Health and safety assurance and work environment
- Systems and procedures of work
- Health management
- Emergency preparedness and response
- Corrective and preventative action

**Measurement, evaluation and management review**

- Auditing and performance review

Formal ISO 14001 certification is maintained by Boral Roofing at Wyee, our cement facility at Waurn Ponds and the SEPL woodchip operation at Kooragang Island. Australian Construction Materials (ACM) has also developed an ACM-specific EMS in accordance with ISO14001 which is currently being rolled out across the various regions.

Audit and assurance programs are integral to Boral's EMS. Boral's environmental audit and assurance programs undertaken during 2008/09 are outlined on page s18.

#### **Budgeting and financial management**

Environmental strategic plans are prepared annually by each of Boral's operating divisions and reviewed and approved by the Managing Director and Boral's General Manager, Environmental Services.

These plans have a one and five year outlook but include consideration of energy and GHG emission implications out to at least 2020. The plans focus on priority areas covered in Boral's Environmental Policy and areas of importance specific to individual businesses; they include targets and action plans.

#### **Compliance review and reporting**

The corporate Environmental Services team undertakes formal audits of divisional environmental performance and maintains a monthly reporting system for Australian operations, reporting back to the Management Committee and the Board on a regular basis.

Improved collection and management of environmental data, particularly relating to energy/GHG emissions, water and waste, has been a focus across Boral's businesses in recent years. Independent verification of environmental data takes place as part of Boral's annual sustainability reporting, as well as a number of government schemes.

#### **Continuous improvement**

Environmental training and communication are integral to continued improvement in environmental management and performance. Details of Boral's environmental training programs during 2008/09 are covered on page s18.

Environmental best practice is communicated internally through a number of channels, including: an annual environmental conference or roadshows which took place in five States this year, Boral's Awards for Excellence, an environmental newsletter, and Boral in the News.

#### **Ethical standards and compliance**

Boral's Code of Conduct states that Boral companies and employees must observe both the letter and the spirit of the

law and adhere to high standards of business conduct and strive for best practice. We take adherence to legal and ethical standards seriously. During 2008/09, 66 Boral employees were dismissed for serious breach of policy.

Boral's employees have access to a whistleblowing service known as FairCall to report possible fraud, illegal acts or misconduct. Calls made via the FairCall hotline are received by an independent service provider, KPMG, which then provides this information to appropriate Boral senior management. Outcomes are reported back to Boral's Audit Committee. FairCall has been in place since 2001. During 2008/09, 15 calls making new allegations to the FairCall hotline were logged, resulting in investigations.

Boral supports the Australian Government's commitment to the global fight against corruption and to raising public awareness about the foreign bribery offence under Australian Criminal Law.

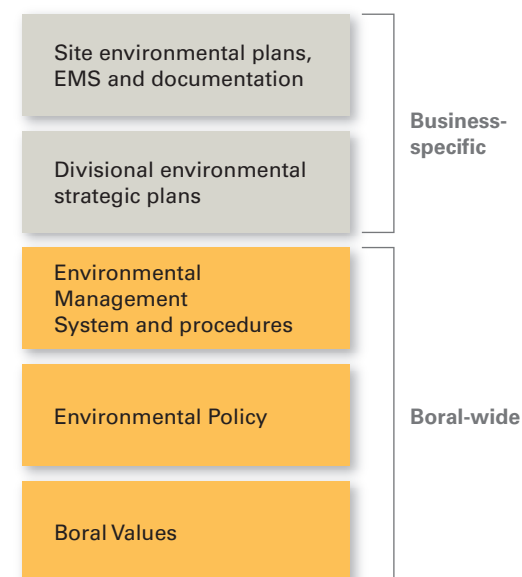
In addition to our Code of Conduct and FairCall whistleblowing services, we have formal policies in place that relate to offering or accepting bribes, kickbacks or gifts. They include our Gifts, Entertainment and Financial Inducements policy, Business Expenses policy, and Government Relations policy. These policies apply to all of Boral's operations globally. Induction programs for new managers and ongoing annual performance reviews are used for training and discussion regarding these matters. In addition, internal risk management processes include consideration of "high risk" countries<sup>1</sup>. In summary, Boral's policies and/or compliance systems:

- prohibit Boral's businesses, and agents acting on our behalf, from giving and receiving bribes;
- commit to obeying all relevant laws;
- restrict and ensure controls relating to political donations;
- restrict and ensure controls relating to facilitation payments; and
- restrict the giving and receiving of gifts.

Boral's joint venture business, Lafarge Boral Gypsum Asia (LBGA), which operates in countries including those identified as "high risk", is a 50/50 joint venture with Lafarge SA. Lafarge is a large French multinational company which comprehensively discloses information on its policies and practices, including those in relation to its Code of Business Conduct and bribery and corruption. Refer to [www.lafarge.com](http://www.lafarge.com) for more information.

Boral typically derives around 4-5% of revenues from "high risk" countries.

#### **Boral's Environmental Management System**



<sup>1</sup> "High risk" countries identified by the FTSE4Good Index include the following countries in which Boral operates: Indonesia and Thailand (and through joint ventures in China, the Philippines, India, Vietnam, Mexico and Trinidad).