



# **NOTICE OF MEETING**

**Notice is hereby given that the Annual General Meeting of shareholders of Boral Limited will be held in the Grand Ballroom, 3rd Floor, The Wentworth Hotel, 61 Phillip Street, Sydney on Monday, 13 November 2000 at 10.30 am**

## **ORDINARY BUSINESS**

1. To receive and consider the financial report, the Directors' Report and the Auditor's Reports for the year ended 30 June 2000.

### **2. TO ELECT DIRECTORS**

(i) Rodney T. Halstead and E. John Cloney retire by rotation and, being eligible, offer themselves for re-election.

(ii) Christine Milne, who has given notice of her candidature, offers herself for election.

## **SPECIAL BUSINESS**

### **3. GRANT OF OPTIONS TO MR. ROD PEARSE, MANAGING DIRECTOR OF THE COMPANY**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the grant by the company to Rodney T. Pearse of options to subscribe for up to 750,000 fully paid ordinary shares in the company at an exercise price of \$2.28 per option and otherwise on the terms described in the explanatory note to this resolution and the allotment to Mr. Pearse of up to 750,000 ordinary shares in the company pursuant to the exercise of those options is hereby approved."

By order of the Board.



**MICHAEL B. SCOBIE, SECRETARY**  
SYDNEY, 25 SEPTEMBER 2000

### VOTING EXCLUSIONS

As required by the Listing Rules of Australian Stock Exchange Limited, the company will disregard any votes cast on business item 3 by Mr. Rod Pearse or an associate of Mr. Pearse.

However, the company need not disregard a vote if:-

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### NOTES

(i) Pursuant to section 1109N of the Corporations Law, the company has determined that for the purposes of the Meeting, all shares in the company will be taken to be held by the persons who held them as registered shareholders at 10.30 am on Saturday, 11 November 2000.

(ii) A member entitled to attend and vote has the right to appoint a proxy.

(iii) The proxy of a member does not need to be a member of the company.

(iv) A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of member's votes each proxy is entitled to exercise.

(v) Details for completion and lodgment of proxies are on the reverse side of the Form of Proxy. A proxy must be received by Boral Limited C/- ASX Perpetual Registrars Limited, 580 George Street, Sydney, NSW 2000 or Locked Bag A14, Sydney South, NSW 1232 by 10.30 am on Saturday, 11 November 2000. A proxy may be sent by fax to ASX Perpetual Registrars Limited on (02) 8280 7646.

# EXPLANATORY NOTES

## BUSINESS ITEM 2 - ELECTION OF DIRECTORS

Two Directors, Messrs. Rod Halstead and John Cloney, will retire by rotation at the Annual General Meeting and have offered themselves for election. The Board supports their re-election as Directors.

In addition, Ms. Christine Milne has given notice of her candidature for election. She has the support of a group who describe themselves as the 'Boral Green Shareholders'.

For the reasons set out below, Ms. Milne's candidature is not supported by the Board and **all of the Directors recommend that shareholders vote against Ms. Milne's election as a Director.**

### INFORMATION ABOUT DIRECTORS STANDING FOR RE-ELECTION

#### Rod Halstead

Mr. Halstead, 57 years of age, joined the Board of the former Boral Limited (now named Origin Energy Limited) in 1991 and became a member of that company's Audit Committee in 1992. He was a Director of Amcor Limited from 1993 to 1998. He is a fellow of the Australian Institute of Company Directors. Mr. Halstead has practised as a lawyer with major Sydney firms for over 30 years and has been recognised for many years as one of Australia's leading corporate lawyers with particular expertise in mergers and acquisitions and funding.

With his background as a director of publicly listed industrial companies for ten years and as a leading Australian corporate lawyer, Mr. Halstead is a strong contributor to the Board on the company's operations and performance and its legal and business affairs and to the Audit Committee.

#### John Cloney

Mr. Cloney, 59 years of age, joined the Board of the former Boral Limited in 1998. He is the Chairman of QBE Insurance Group Limited and a Director of Brambles Industries Limited, Capral Aluminium Limited and Cable & Wireless Optus Limited. Mr. Cloney's career was in international insurance and he was the Managing Director of QBE Insurance Group Limited until he retired in 1998. He is a fellow of the Australian Institute of Management, the Australian Insurance Institute and the Australian Institute of Company Directors.

Having been the chief executive officer of a listed company and being a director of a number of industrial and other companies, Mr. Cloney adds to the Board's focus on profitability, operational improvement and strategy.

The following statement was given to the company by the Boral Green Shareholders for distribution to shareholders:-

### "STATEMENT REGARDING MS. MILNE'S CANDIDATURE FROM 'BORAL GREEN SHAREHOLDERS'

We believe that the company would benefit positively by the involvement of someone of Ms. Milne's standing and experience. Increasingly the community is demanding of companies that more attention is given to ecological concerns. It's further being noted that companies investing ethically are outperforming those which are failing to address these issues. Ms. Milne would bring a new, ethical and fresh approach to a company, which has struggled with its environmental performance for a number of years.

We believe that it is to the real advantage of Boral's shareholders to urge the company to make environmentally friendly decisions. Such a view is borne out by recent literature on the subject. For example back testing of the Sustainability Group Index has found a return of 17% produced as compared with the broader Dow Jones Index of 13% per annum. The Dow Jones Sustainability Index consists of companies which are considered to be performing the best in combining the environmental, social and economic areas of their business. The Dow Jones Index editor, John Prestbo has found that companies which operate in an environmentally and socially responsible manner, that is they are proactive in seeking to protect or replenish the environment and provide good working conditions tend generally to be well managed.

A recent conference on ethical investment received a survey by Resnik-KPMG, Money Where Your Mouth Is which reported that environmental, human rights and labour relations were the main issues of concern for investors. 76% of respondents said they'd be concerned if their fund invested in companies logging old growth forests. It was further predicted that earnings per share for sustainably managed companies will grow by 10% compared to 9% for the general index.

#### Christine Milne

Christine Milne is a dynamic leader and a futurist. Born on the north west coast of Tasmania in 1953, she was educated at the University of Tasmania and graduated with a Bachelor of Arts with Honours in 1975. Having taught for a number of years, she became actively involved in environmental issues and was elected to the Tasmanian Parliament in

1989 and became leader of the Green Party in 1993 until 1998 when she lost her seat following a constitutional change to the electoral system. Her interest in the unsustainable exploitation of the world's environment has led to her involvement in campaigns to protect high conservation value forests and natural areas throughout the world and it has given her valuable insight into the modus operandi of corporations.

She believes that companies which do not respond to the call from civil society to be more ethical in their dealings with communities and the environment will increasingly be punished by the investment community for their lack of social and environmental responsibility. She believes she has the background and leadership ability to make a difference to the corporate culture of Boral and to persuade the company to adopt the ethic of sustainability.

She has won numerous awards for her work in conservation and has been appointed to the United Nations Environment Programme's Global Roll of Honour. She is currently on the Australian Executive of the International Union for the Conservation of Nature and on the Australian committee of the Earth Charter. She is currently working as a Consultant on projects relating to ethics, the environment and economic renewal."

## **BORAL'S RESPONSE TO THE STATEMENT BY 'BORAL GREEN SHAREHOLDERS'**

Boral's environmental policy, the commitment of the Board and management to comply with the policy and appropriate environmental practices and Boral's environmental performance are fully covered on page 22 of the Annual Review. It is confirmed that Boral embraces the principle of sustainable development and putting this principle into practice is fundamental to the company's continued growth and success. Boral is also committed to adhering to high ethical standards and being a good corporate citizen.

In referring to forest activities, the statement by the Boral Green Shareholders does not recognise the considerable changes which have occurred over the last decade. It also ignores that the timber industry remains one of the few major land users in Australia which can demonstrate compliance with the principles of ecologically sustainable development.

Boral's native hardwood business has also changed considerably over the last year. The hardwood operations in Queensland and Tasmania, including the export woodchip operation at Longreach near Launceston, have been sold. Boral's only remaining significant hardwood investment is in north east New South Wales where forest operations are governed by a Regional Forest Agreement ("RFA") between the Commonwealth and State Governments. The RFA process guaranteed that high conservation value old growth forest was set aside in special reserves which cannot be harvested. As a result, Boral Timber's hardwood allocation from the State Government comes from regrowth forests and plantations.

While ensuring that Boral operates in an environmentally and socially responsible manner is undeniably of much importance, dealing with these aspects is only a small part of the Board's functions. The vast majority of Directors' work is monitoring the company's results and performance, approving its strategic direction and financial plans and reviewing senior management's performance. The information provided on Ms. Milne does not indicate qualifications or experience to contribute to these aspects of the Board's work.

**The Board confirms its recommendation for shareholders to vote against Ms. Milne's election as a Director.**

**BUSINESS ITEM 3 - GRANT OF OPTIONS TO MR. ROD PEARSE, MANAGING DIRECTOR OF THE COMPANY**

This resolution is being put to shareholders to obtain shareholder approval for the grant to Mr. Rod Pearse, the Managing Director of the company, of options to subscribe for up to 750,000 shares in the company with an exercise price of \$2.28 per option and to the allotment to Mr. Pearse of up to 750,000 shares in the company on the exercise of these options.

Chapter 10 of the Listing Rules of Australian Stock Exchange Limited ("ASX") requires shareholder approval for the grant of the options to Mr. Pearse.

Shareholder approval is also required under Chapter 2E of the Corporations Law because the granting of options involves the company entering into an agreement whereby a financial benefit may be given to Mr. Pearse, who is a related party of the company.

At the time of the demerger of the building and construction materials businesses from the former Boral Limited (now named Origin Energy Limited), Mr. Pearse was, with the approval of the shareholders of the former Boral Limited, granted 750,000 options to subscribe for up to 750,000 shares in the company. The exercise price and the exercise hurdle are the same as those proposed for the options in respect of which shareholder approval is now sought.

The Board considers it is appropriate for Mr. Pearse to be granted options to take up a further 750,000 shares in the company.

Mr Pearse's strong performance as Managing Director, effectively from 1 October 1999, has met the Board's objectives and is reflected in the improved results, reduced gearing and focused management of the company's building and construction materials businesses.

The company faces significant challenges in the near term with the downturn in building activity predicted for 2001 followed by a projected upturn in the second half of 2002. The Board believes it is appropriate to provide suitable motivation and incentive to Mr. Pearse to maximise the company's performance in this period.

The exercise hurdle for the option is such that the options will only be exercisable to the extent to which the Total Shareholder Return compares favourably with the return of a reference group of other listed companies.

**Summary of the terms of the options to be granted to Mr. Rod Pearse**

The options will be granted pursuant to the Senior Executive Option Plan, the terms of which were summarised in the Explanatory Statement lodged with ASX at the time of the demerger of the company from Origin Energy Limited.

The exercise price of the options will be \$2.28 per option. This is the same exercise price as that applying to the options granted to Mr. Pearse at the time of the demerger. That exercise price was determined by dividing the total of the sale values of the company's shares on the five trading days immediately following the commencement of trading of the company's shares following its demerger from Origin Energy Limited on the stockmarket conducted by ASX (excluding sales reported as special crossings and certain other specified transactions) by the number of the company's shares the subject of sales on those days.

The exercise hurdle will be 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 will depend on the maximum Total Shareholder Return of the company relative to the Total Shareholder Return of a group (the "Reference Group") consisting of approximately 50 companies selected by the Directors from the ASX Top 100 and being the same reference group as applies to Mr. Pearse's existing options save for two companies which are no longer listed.

Determination of Total Shareholder Return 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 Total Shareholder Return of the company is compared with the Total Shareholder Return of the Reference Group commences three years after the grant of the options.

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

<b>If at any time during the exercise period of the options the Total Shareholder Return of the company:</b>	<b>The percentage of options which become exercisable is:</b>
Does not reach the 25th percentile of the Reference Group	0%
Reaches the 25th percentile of the Reference Group	25%*
Reaches the 50th percentile of the Reference Group	50%*
Reaches or exceeds the 75th percentile of the Reference Group	100%

\*The percentage of options which become exercisable increases proportionately from the 25th percentile up to the 50th percentile and proportionately from the 50th percentile up to the 75th percentile.

Subject to the satisfaction of the exercise hurdle and the terms of the Senior Executive Option Plan, the options may be exercised at any time after the third anniversary of the grant of the options and no later than the fifth anniversary.

A copy of the rules of the Senior Executive Option Plan may be obtained from the company's registered office at Level 39, AMP Centre, 50 Bridge Street, Sydney, NSW 2000.

#### **Directors' Interests**

None of the Directors other than Mr. Pearse has any interest in the outcome of the proposed resolution except to provide an appropriate incentive to Mr. Pearse as Managing Director of the company to maximise shareholder wealth.

#### **Costs and Detriments of providing Financial Benefit and Value of Options**

The opportunity cost and benefit forgone by the company in issuing options to Mr. Pearse is the obligation of the company to issue shares in the future at potentially less than their market price at that time. The Directors believe that the opportunity cost and benefit forgone is offset by the incentive given to Mr. Pearse to continue to improve the company's performance.

The company has sought the advice of KPMG Consulting Australia Pty. Limited as to the value which might be attributed to these options. KPMG Consulting Australia Pty. Limited has advised that, based on a price of the company's ordinary shares of \$1.97 which was the weighted average sale price during the period of five days ended 22 September 2000, the 750,000 options have a value of \$146,250. The advice as to this value was determined by KPMG Consulting Australia Pty. Limited using generally accepted valuation procedures for options of this type and, in addition to the assumption as to the share price referred to earlier, included assumptions as to risk free interest rates, the volatility of the price of the company's shares, dividends to be paid by the company over the life of the options and that the options would not be exercised until their maturity in the year 2005. The Directors note that this assessment of the value attributable to the options is a theoretical assessment. The true value of the options will ultimately only be determined on exercise. The Directors also note that any value attributable to the options is not a cost to or expense of the company.

Any benefit to Mr. Pearse from the grant of the options will depend on the circumstances existing at the time when the options are eligible to be exercised. These factors include:

- whether the exercise hurdle is achieved;
- the share price of the company's ordinary shares when the options are exercisable;

- any rights issues or capital reconstruction which may affect the exercise price and number of shares into which the options may be converted;
- the marginal tax rate applying to Mr. Pearse at the time of exercise of the options; and
- circumstances which may allow the options to be exercised prior to the end of the third year.

All of the Directors other than Mr. Pearse recommend that shareholders vote in favour of the resolution.

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