

Boral



Boral Limited

ABN 13 008 421 761

Level 39 AMP Centre
50 Bridge Street, Sydney
GPO Box 910, Sydney NSW 2001
Telephone (02) 9220 6300
Facsimile (02) 9233 6605

18 September 2009

Dear Shareholder

I am pleased to invite you to attend Boral's Annual General Meeting which will be held in the City Recital Hall, Angel Place, Sydney on Wednesday, 28 October 2009 at 10:30 am.

The Notice of Meeting which follows sets out the business to be dealt with at the Meeting.

If you are able to attend the Meeting, please bring the enclosed proxy form with you to facilitate your registration.

The plan opposite shows the location of the City Recital Hall.

Shareholders are encouraged to arrive before the starting time of 10:30 am to avoid any last minute congestion.

If you do not plan to attend the AGM, you may wish to appoint a proxy to attend and vote on your behalf by completing and lodging the enclosed Proxy Form. Instructions on how to appoint a proxy and lodge the form are on the back of it. Proxy Forms must be received by 10:30 am on Monday, 26 October 2009 to be valid for the Meeting.

The full AGM will be webcast live on the internet at www.boral.com.au.

The Chairman's and Managing Director's Addresses to the AGM will be placed on Boral's website on the day of the Meeting.

Yours sincerely

Ken Moss
Chairman



LOCATION OF ANNUAL GENERAL MEETING

Notice of Meeting

BORAL LIMITED AND ABN 13 008 421 761

Notice is given that the Annual General Meeting of Shareholders of Boral Limited will be held in the City Recital Hall, Angel Place, Sydney on Wednesday, 28 October 2009 at 10:30 am

BUSINESS

ITEM 1 : FINANCIAL REPORTS

To consider the financial reports, the Directors' Report and the Auditors' Report for the year ended 30 June 2009.

ITEM 2 : REMUNERATION REPORT

To adopt the Remuneration Report for the year ended 30 June 2009.

ITEM 3 : RE-ELECTION OF DIRECTOR

To re-elect Ken Moss as a Director of the Company.

ITEM 4 : PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the proportional takeover approval provisions currently contained in Schedule 5 of the Constitution of the Company be included as Schedule 5 in the Constitution of the Company for a further period of three years from the date of the Meeting convened by this Notice of Meeting."

ITEM 5 : AWARD OF RIGHTS TO MARK SELWAY, CHIEF EXECUTIVE OFFICER DESIGNATE

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

"That approval is given for the award to Mark Selway, the Chief Executive Officer designate, of rights to fully paid ordinary shares in the Company on the terms described in the explanatory notes to this Notice of Meeting."

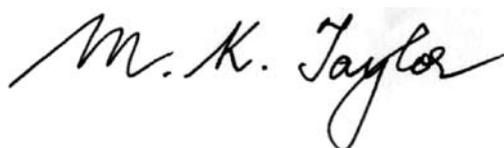
Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on resolution 5 by a Director of the Company or an associate of a Director.

However, the Company need not disregard a vote cast on the resolution 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.

By order of the Board



Margaret Taylor
Company Secretary
Sydney
18 September 2009

NOTES

1. The Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of shareholders as at 7:00 pm (Australian Eastern Daylight Saving Time) on Monday, 26 October 2009. Accordingly, transactions registered after that time will be disregarded in determining which shareholders are entitled to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the Annual General Meeting has the right to appoint a proxy.
3. The proxy of a member does not need to be a member of the Company.
4. 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. If the appointment does not specify the proportion or number of the member's votes, each proxy may exercise one half of those votes.
5. If a member appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on the proposed resolutions set out in the Notice, then the Chairman intends to vote all available proxies in favour of each of the proposed resolutions (if a poll is called on the relevant resolution).
6. Details for completion and lodgment of proxies are on the reverse side of the Proxy Form. The Proxy Form must be received by the Company C/- Link Market Services Limited, Level 12, 680 George Street Sydney, NSW 2000 or Locked Bag A14, Sydney South, NSW 1235 at least 48 hours prior to the Annual General Meeting – that is, by no later than 10:30 am Australian Eastern Daylight Saving Time on Monday, 26 October 2009. The Proxy Form may be sent by fax to Link Market Services Limited on 02 9287 0309 or lodged online: www.linkmarketservices.com.au (go to Proxy Voting and follow the prompts).
7. A member of the Company who is a body corporate and who is entitled to attend and vote at the Annual General Meeting, or a proxy who is a body corporate and who is appointed by a member of the Company entitled to attend and vote at the Annual General Meeting, may appoint a person to act as its representative at the Annual General Meeting by providing that person with:
 - (a) a letter or certificate, executed in accordance with the body corporate's constitution or the *Corporations Act 2001*, authorising the person as the representative; or
 - (b) a copy of the resolution, certified by the secretary or a director of the body corporate, appointing a representative.
8. If you wish to submit a question in writing to the Chairman or the Auditor, please complete the AGM Question Form which accompanies this Notice of Meeting. AGM Question Forms must be received at least five business days prior to the Annual General Meeting (that is, by Wednesday, 21 October 2009) to allow time to collate questions and prepare answers.

EXPLANATORY NOTES

ITEM 1 – FINANCIAL REPORTS

While the *Corporations Act 2001* requires the financial reports, the Directors' Report and the Auditors' Report of Boral for the year to be laid before the Annual General Meeting, neither that Act nor the Company's Constitution requires shareholders to vote on, approve or adopt those reports.

Shareholders will, however, have a reasonable opportunity at the Annual General Meeting to raise questions on those reports. Shareholders will also have a reasonable opportunity to ask the auditor questions relevant to the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company in relation to the preparation of the financial statements of the Company, and the independence of the auditor in relation to the conduct of the audit.

ITEM 2 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report is part of the Directors' Report for the year and is set out on pages 43 to 59 of the Annual Review.

Following the 2008 Annual General Meeting, the Board undertook a fundamental review of Boral's remuneration practices. The Board was assisted in this process by Ernst & Young, who provided independent input to the Remuneration Committee and the Board as a whole on Boral's remuneration practices.

The review process included consultation with stakeholders, which involved members of the Remuneration Committee, other Board members and management meeting with representatives of retail and institutional investors and governance advisory firms.

The Remuneration Report:

- provides details of the changes that were made to Boral's remuneration arrangements as a result of the fundamental review, as well as initiatives implemented in response to the current economic environment;
- demonstrates the links between Boral's remuneration policies and Boral's performance, and
- provides the required remuneration details for each of the directors and other key management personnel.

The Board submits the Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution as required by the *Corporations Act 2001*.

The vote on this resolution is advisory only and does not bind the Directors or the Company. However, as demonstrated by the actions taken by the Company since the 2008 Annual General Meeting, the Board respects the views of its shareholders and will take the outcome of the vote into account when considering remuneration policy in the future.

While there is no legal requirement to abstain from voting, Boral believes it appropriate that neither the Directors, the named key management personnel nor their associates should vote their shares on this advisory resolution, except as directed by any proxies.

The Board recommends that shareholders vote in favour of the resolution to adopt the Remuneration Report.

ITEM 3 – RE-ELECTION OF DIRECTOR

The Company's Constitution provides that a Director must retire from office no later than the longer of the third Annual General Meeting or three years following that Director's last election or appointment. Retiring Directors are eligible for re-election. Dr Moss was last elected as a Director at the 2006 Annual General Meeting. He therefore retires and, being eligible, offers himself for re-election.

Dr Moss, who is currently 64 years of age, joined the Boral Board in 1999 and became the Chairman of Directors in May 2000. He is a member of the Board's Remuneration Committee.

Dr Moss is the Chairman of Centennial Coal Company Limited and of GPT RE Limited (the responsible entity for the General Property Trust).

Dr Moss is a qualified engineer. He was the Managing Director of Howard Smith Limited until he retired in 2000 and is experienced in building materials businesses. The Board benefits from Dr Moss's experience as the chief executive officer of a listed industrial company operating in highly competitive markets and having been the chairman or a director of industrial and other companies.

As announced on 27 July 2009, Dr Moss, if re-elected, intends to remain as Chairman until May 2010 so as to oversee the transition of chief executive officer at Boral (which is scheduled to occur at the end of December 2009) and then provide for an orderly succession in respect of the Chairman's role. Dr Moss intends to retire as Chairman, and from the Board, in May 2010. At that time, Dr Bob Every will assume the Chairmanship of Boral.

The Board (with Dr Moss abstaining) recommends that shareholders vote in favour of the resolution for the re-election of Dr Moss.

ITEM 4 – PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

This item of business involves the re-insertion in the Constitution of the provisions currently contained in Schedule 5 of the Company's Constitution relating to proportional takeovers.

Under the *Corporations Act 2001*, such provisions must be renewed every three years. The provisions were last approved at the 2006 Annual General Meeting. However, the three year period from the date of the 2006 Annual General Meeting will elapse, and the provisions currently contained in Schedule 5 will expire, just prior to this year's Annual General Meeting. It is for this reason that the resolution seeks shareholder approval for the re-insertion of those provisions into the Constitution (rather than their renewal).

The *Corporations Act 2001* requires that the following information be provided with a notice proposing the adoption or renewal of the proportional takeover provisions:

Effect

The effect of the proportional takeover approval provisions is to require the Directors to convene a meeting of shareholders in the event that a proportional takeover bid is made for the Company. A proportional takeover bid is a takeover offer made to all shareholders, but only in respect of a specified portion of each shareholder's shares. The purpose of the meeting

of shareholders is to vote on a resolution to approve the takeover bid.

If the resolution is rejected by shareholders, then the bid will be deemed to be withdrawn and registration of any transfer of shares resulting from the bid will be prohibited. Acceptances will be returned and any contracts formed by acceptances will be rescinded.

If the resolution is approved, transfers of shares to the bidder will be registered provided they comply with other provisions of the Company's Constitution.

If the resolution is not voted on at least 14 days before the closure of the bid, then the resolution will be deemed to have been approved.

The bidder and associates will be precluded from voting on the resolution.

Provided the proportional takeover approval provisions are adopted at the Annual General Meeting, they will expire after three years, unless renewed by shareholders by special resolution.

Reasons for Inclusion

The reason Schedule 5 was included in the Constitution previously, and is proposed to be adopted, is that a proportional takeover bid may result in effective control of the Company changing hands without shareholders having the opportunity to dispose of all their shares. Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their shares, while leaving themselves as part of minority interests in the Company.

The provisions give shareholders the opportunity to decide whether a proportional takeover bid is acceptable and should be allowed to proceed.

Present Acquisition Proposals

As at the date of this statement, no Director of the Company is aware of any proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential Advantages and Disadvantages

The proposed provisions will enable the Directors to ascertain the views of shareholders on a proportional takeover bid. Apart from this, there is no specific advantage or disadvantage for the Directors of inserting the proportional takeover approval provisions.

The provisions ensure that shareholders will have an opportunity to study a proportional takeover bid proposal and vote on whether it should be permitted to proceed. As a consequence, the terms of any future proportional bids are likely to be structured to be attractive to a majority of non-associated shareholders.

As to the possible disadvantages of the provisions for shareholders, it could be argued that they make a proportional takeover more difficult to achieve and therefore proportional bids will be discouraged. This in turn may reduce opportunities which shareholders may have to sell some of their shares at an attractive price to persons seeking control of the Company and may reduce any element of takeover speculation in the Company's share price. It may also be argued that the provisions constitute an additional restriction on the ability of shareholders to deal freely with their shares.

While the Company's Constitution has included proportional takeover approval provisions for many years, the provisions have not been used. Accordingly, the experience to date has no bearing or impact on the advantages or disadvantages discussed above.

The resolution to adopt the proportional takeover approval provisions is a special resolution and, to be passed, requires a 75% majority of shareholders entitled to vote on the resolution.

The Board recommends that shareholders vote in favour of the resolution to adopt the proportional takeover approval provisions in Schedule 5 of the Company's Constitution for a further three years.

ITEM 5 – AWARD OF RIGHTS TO MARK SELWAY, CHIEF EXECUTIVE OFFICER DESIGNATE

Background

On 16 September 2009, the Board announced that Mr Mark Selway will assume the role of Chief Executive Officer of Boral on 1 January 2010, following the retirement of Mr Rod Pearse.

The announcement included a summary of the key terms of Mr Selway's employment agreement. Under that employment agreement, Mr Selway's remuneration will consist of the following components:

- fixed remuneration;
- short-term incentive payable in cash, and
- long-term incentive (**LTI**) to be awarded in the form of options or rights to acquire ordinary shares in Boral if specific performance hurdles are met.

In addition to annual awards of LTI, Mr Selway's employment agreement also provides for him to receive an upfront LTI award (**Initial Grant**) as consideration for him agreeing to assume the role of Chief Executive Officer of the Company. The award is to be in the form of rights to fully paid ordinary shares in the Company under the Boral Senior Executive Performance Share Plan (**LTI Plan**).

The Board believes that long term incentives form a key part of remuneration for senior management and assist to align the interests of participating executives with the longer term interests of shareholders.

Approval sought

This resolution is being put to shareholders to seek approval for the Initial Grant to be made to Mr Selway. Shareholder approval is required under Chapter 10 of the ASX Listing Rules because Mr Selway will be receiving the Initial Grant at a time when he is a director of the Company. In any event, in the interests of transparency and good governance, the Board believes that it is appropriate to seek shareholder approval for the Initial Grant.

Any required or appropriate shareholder approval for annual LTI awards to be made to Mr Selway under his employment agreement will be sought at future annual general meetings.

Overview of Initial Grant

It is proposed that Mr Selway be granted rights with a value of 100% of his total fixed annual remuneration as at the commencement of his employment agreement (that is, a value of \$1.75 million). The rights will be awarded when or just after Mr Selway commences his employment with Boral on 1 January 2010. No amount will be payable by Mr Selway for the rights.

The terms of the Initial Grant will, so far as is practicable, be consistent with the terms of the LTI grant to be made to Boral senior executives in November 2009 under the LTI Plan **(2009 Grant)**.

The number of rights to be granted is not known at this stage but will be determined by dividing the amount of \$1.75 million by the Boral share price at the time of the 2009 Grant, discounted for the probability that the performance hurdle will not be met. This is explained further below.

Subject to the terms of the LTI Plan, the vesting period which must elapse before shares may be issued or transferred to Mr Selway is three years from the applicable grant date of the 2009 Grant **(Vesting Period)**. The grant date for the 2009 Grant will be in November 2009.

The shares will vest (that is, the shares will be issued or become transferable to Mr Selway) to the extent that the applicable performance hurdle outlined below is satisfied. Subject to achievement of the hurdle, the rights may be converted (on a one-for-one basis) to fully paid ordinary shares in the Company. Those shares may be purchased on-market or issued by the Company. No amount will be payable by Mr Selway for those shares.

Performance Hurdle

The performance hurdle for the vesting of the rights (and allocation of shares) will be measured by comparing the performance of the Company with the performance of other companies in which shareholders may potentially invest. Vesting will depend on the Total Shareholder Return (TSR) of the Company relative to the TSRs of the companies in the S&P/ASX 100 Index as at the commencement of the Vesting Period.

The period over which the TSR of the Company is compared with the TSRs of companies in the S&P/ASX 100 commences on the first day of the Vesting Period and is measured at three test dates, namely the third, fifth and seventh anniversary of the first day of the Vesting Period. For the purposes of calculating TSR, share prices will be determined by reference to the volume weighted average share price during the 60 trading days prior to the relevant test date.

The percentage of rights which may vest is based on a sliding scale as follows:

| <i>If at any of the three test dates referred to above, the TSR of the Company:</i> | <i>The percentage of rights which will vest is:</i> |
|---|--|
| Does not reach the 50th percentile of the TSRs of the S&P/ASX 100 | 0% |
| Reaches the 50th percentile of the TSRs of the S&P/ASX 100 | 50% |
| Exceeds the 50th percentile of the TSRs of the S&P/ASX 100 but does not reach the 75th percentile | 50%, plus 2% for every one percentile increase above the 50th percentile |
| Reaches or exceeds the 75th percentile of the TSRs of the S&P/ASX 100 | 100% |

Under the LTI Plan, if there is a change of control of Boral (defined to mean someone acquiring more than 50% of Boral shares by takeover bid or another event, relating to a takeover bid or scheme of arrangement, that the Board determines should constitute a change of control), the Vesting Period requirement will be waived. Vesting will occur only to the extent that the performance hurdle outlined above is satisfied.

Number of rights to be awarded

To give shareholders an indication of the number of rights that would be awarded to Mr Selway were the award approved, the Company has commissioned an independent valuer to assess the indicative fair value of each right. The indicative value has been assessed in accordance with Accounting Standard AASB 2 using a Monte Carlo simulation.

These values are indicative only since an actual valuation can be determined only by reference to the Company's share price (and other factors) as at the commencement of the Vesting Period. If the award of the rights is approved, the actual number of rights granted will be disclosed as part of Mr Selway's remuneration in the Company's Annual Review for the year ending 30 June 2010.

The indicative valuations set out below are based on the following assumptions:

- a share price of \$5.00, \$5.50 or \$6.00;
- an exercise price of zero for the rights;
- the maximum life of the rights being seven years. The valuations have been performed assuming both a five year life and a seven year life, and a midpoint valuation has been derived;
- other assumptions as to risk free interest rates, volatility and dividend yields made in accordance with accepted valuation techniques, and
- no discount has been included for forfeiture of the rights which might occur if Mr Selway ceases to be employed by the Company at the time of vesting.

Indicative values per right:

| Share price | 5 year life | 7 year life | Midpoint |
|-------------|-------------|-------------|----------|
| \$5.00 | \$3.71 | \$3.92 | \$3.82 |
| \$5.50 | \$4.09 | \$4.33 | \$4.21 |
| \$6.00 | \$4.45 | \$4.71 | \$4.58 |

Based on a share price of \$5.50, and using the mid-point valuation above, each right would have an indicative fair value of \$4.21. Accordingly, the number of rights to be granted would be 415,677, being the amount of \$1.75 million divided by the indicative fair value of \$4.21. As stated above, as an actual valuation can be determined only by reference to the Company's share price (and other factors) as at the commencement of the Vesting Period, this number is indicative only.

Circumstances in which rights will lapse

If Mr Selway resigns or his employment is terminated for performance reasons (for example, as a consequence of serious and wilful misconduct or breach of duty), any unvested rights will lapse unless the Board determines otherwise.

Additional information provided for shareholders in accordance with ASX Listing Rules

Mr Selway currently does not hold any interest in any Boral shares.

No loan will be made by Boral in connection with the award of rights or the allocation to Mr Selway of shares on vesting of those rights.

The ASX Listing Rules require information to be included about other Directors who receive securities under the LTI Plan. Currently Mr Pearce is the only Director of the Company entitled to participate in the LTI Plan. Since approval was given at the 2004 Annual General Meeting to the grant of rights to Mr Pearce under the LTI Plan, Mr Pearce has been granted 367,036 rights in accordance with the terms of that approval. None of those rights has yet vested. No amount was payable by Mr Pearce for those rights.

Currently Mr Pearce is the only Director of the Company entitled to participate in the other long term incentive plan which Boral has in place, namely the Boral Senior Executive Option Plan. Since approval was given at the 2004 Annual General Meeting to the grant of options to Mr Pearce under that

Plan, four tranches of options totalling 6,067,100 options have been granted to Mr Pearce in accordance with the terms of that approval. None of those 6,067,100 options has yet vested. No amount was payable by Mr Pearce for those options. The price per share payable on exercise of the options ranges from \$6.60 to \$7.70.

If the resolution is not passed

If the resolution is not passed, then under Mr Selway's employment agreement the Board may pay to Mr Selway an amount of cash equivalent to the value of the Initial Grant. The Board would consider making a cash payment only if the performance hurdle which would otherwise have applied were satisfied.

Directors' recommendation

All Directors recommend that shareholders vote in favour of the resolution to approve the grant to Mr Selway of rights to Boral shares.