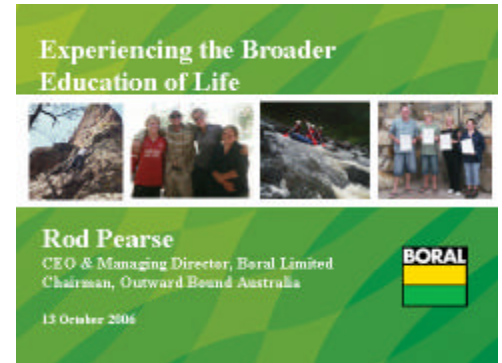


Bridgeworks Leadership Breakfast Speech by Rod Pearse
“Experiencing the Broader Education of Life – The Outward Bound Experience”
Friday 13 October 7.15 – 8.55am

- Thankyou Wayne for your introduction. As Wayne said,
- I am the Chairman of Outward Bound Australia and have been since October 2003.
- And I have been the CEO and Managing Director of Boral Limited for the past seven years.



- I am very pleased to be part of the celebrations of Outward Bound's 50 year Anniversary – a truly significant achievement. And to be witness to the valuable role it is playing today in developing leadership skills, particularly in our young people.
- I am also delighted to be celebrating Boral's 60th Anniversary this year – not to mention my own sixty year milestone.

- These milestones provide a nice opportunity for reflection. What's been achieved, what have we learnt, what roles have we played, what difference have we made?
- Today I would like to share with you some of my perspectives on leadership.
- I also want to talk you about Outward Bound. In particular, the partnership between Outward Bound and Boral. And what that partnership has achieved.



- These achievements are around leadership development of our younger people as well as employee engagement and strengthening or “rediscovering” family connections. Our Outward Bound partnership is providing our emerging leaders as well as our employees and their families with an opportunity to experience what I call “the broader education of life.”

PERSONAL BACKGROUND

- But before I go any further I would like to provide you with some background on my own life experiences.
- Following my formal schooling I studied for a bachelor of commerce degree at the University of NSW. I completed my first two years of studies on a part-time basis, whilst working in the mail room for a year and then the central accounts department of CSR for

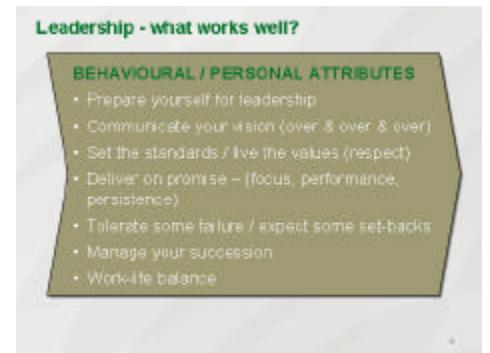
another year. After two years part-time, I became a full time student and completed an honours year.

- I completed my degree in 1968 and then, at the age of 22, I went into the army to do two years of National Service. I went to Puckapunyal for Recruit Training, to Scheyville for officer training, to the School of Artillery for corps training and then I joined the 4th Field Regiment in Townsville. A total of 12 months of military training before 12 months of active service in Vietnam as an Artillery Officer with the 4th Field Regiment.
- My time in the army and more specifically in Vietnam, was my “Outward Bound” experience. It gave me a broader window on life and essential leadership skills, building on my formal secondary and tertiary education. In the army, I learnt first hand about team work, managing people, organisational issues, discipline, and ultimately how to be a leader.
- Obviously there are a lot of downsides in sending young people off to war and Vietnam was a destructive setting for many Australian men. But for me, I learnt a lot about myself. My military experience has had a lot to do in shaping my leadership style and who I am today.
- I believe the Outward Bound experience provides many of the practical educational elements that the army experience provided for me. It teaches people about themselves - about teamwork, survival and facing personal challenges, about persistence, preparedness, assessing options and setting goals.
- When I completed my National Service I was fortunate enough to be sponsored by CSR to attend the Harvard Business School in Boston (from 1971 to 1973) to complete my MBA. This was an ideal “rounding out” of my academic and broader education. I had previously met Brigadier Fred McAlister who was Chief Staff Officer for CSR and he undoubtedly helped my application behind the scenes. As it turned out Fred was a former Chairman of Outward Bound!
- I then went back to work with my original employer, CSR, and eventually, through a joint venture with Shell Australia, I ended up with Shell International. I then spent two years in London having co-ordination responsibility for some of Shell’s operations in Africa and South America.
- By the time I had reached my mid 40s, I had worked in a range of finance, treasury, planning, marketing and regional general management roles. I had run mining operations in Collie in country Western Australia and in the Hunter Valley. I had spent 18 months in Canberra working on the Jackson Green Paper on manufacturing and two years as Shell Australia’s Corporate Treasurer.
- In 1994 I was headhunted by Tony Berg to head up the Construction Materials Group at Boral. Five years later I became CEO of Boral when the company demerged into the new Boral and Origin Energy in late 1999 / early 2000.



- In my role as CEO of Boral, from time to time I am asked to share some of my thoughts about change management or the Company's demerger experience in particular, which overall has been a success story for both Boral and Origin Energy.
- I recently did a presentation to a group of emerging senior executives. I talked about what I believe are the important personal or behavioural attributes in effective leadership or successfully managing change. I believe that they are:

- Prepare yourself for leadership, (and I have been telling you a bit about my own preparation)
- Communicate your vision (over & over & over)
 - I was offered the job as CEO in September 1999. At my first media conference in October 1999 – the first question I was asked was “What is your vision?” I have been repeating my vision and strategy ever since. It needs to work for media / financial markets / employees / communities / families and so on. It must communicate simply what you are about – you need to pass the 30 second grab test.
 - Boral's Strategic Intent *is to be a value(s) and market driven, focused building and construction materials supplier, operating in Australia and increasingly offshore. And our overarching objective is to 'deliver superior returns in a sustainable way'.*
- As an effective leader, you need to set the standards / live the values
 - You need to set the standards around *People*. Set the bar, don't settle for second best – it's better to keep looking.
 - Set the standards around *Strategy*. It's taken us about 5 to 10 years to get quality!
 - When it comes to company *Values* - you have to live them; “lead by example”.
 - And when it comes to *Objectives / budgets*, you have to have reasonable stretch to get good outcomes.
 - At Boral, we have achieved top quartile total shareholder returns for the past six years. We “reset” our goals after 5 years of top quartile performance – superior TSR over 10 years is a real stretch!!!
- You must Deliver on promise – (focus, performance, persistence)
 - Externally, we under-promise / over-deliver (this of course gets harder when Analysts set their own earnings' targets!!).
 - Internally, we set stretch targets (a blend of bottom up / top down).
 - “Delivery on promise” is part of our culture at all levels.



- You need to Tolerate some failure / expect some set-backs
 - A successful “perform and grow” strategy requires taking risks
 - On the “perform” side: step change is important (10% to 15% of compressibles); 10% price improvement (will competitors follow??).
 - And, on the “grow” side: we had a limited “growth” pipeline; and limited growth experience.
 - Some \$2 billion of growth capital later it has gone “mostly right”.
 - But not everything succeeds.
 - You must learn from failure (and success).
 - And you must share the learning (not hide the failures).
 - As an effective leader you need to support your managers (but manage under-performance).
 - And never make the same mistake twice!
- I believe you need to Manage your succession;
 - Put good (hopefully better) people around you (both you and the organisation will be more successful).
 - Ensure your succession is ready (mentoring is part of your job).
 - Internal recruitment is better (but sometimes there are culture change / competence gaps etc., which means external recruitment is required. This adds to the gene pool).
 - Leave the organisation in better shape than when you arrived.
- To be an effective leader, you need to Find a good work-life balance.
 - Your health and fitness matter (our “B Well” diagnostics started with senior team /now on shop floor).
 - Family matters (dedicated core time, family holidays).
 - NED roles and “non-profits” are worthwhile (but discretionary time is limited after job, family and health / fitness).
 - Above all, “enjoy” your job. After 7 years as CEO, I do and I look forward to completing 10 years.
- So they are my seven leadership or change management attributes that I think are important.
- Let me reiterate the importance of getting the first attribute right, i.e. prepare yourself properly, chase experience and learning and not the dollars. If that’s not done properly, if you’re not well prepared for a leadership role, the other attributes don’t really matter.

- I believe that a lack of preparation too often results in failure. You have to be ready to take on any leadership role, but particularly as a CEO, you have to hit the ground running. The first year matters! (Given average CEO tenure!)
- And for me, my preparation came from my formal education, my military service, and my broad management training and experience. It came from living and working in capital cities, in rural towns and working internationally. It came from the academic training I pursued but just as importantly it came from the broader education of life.

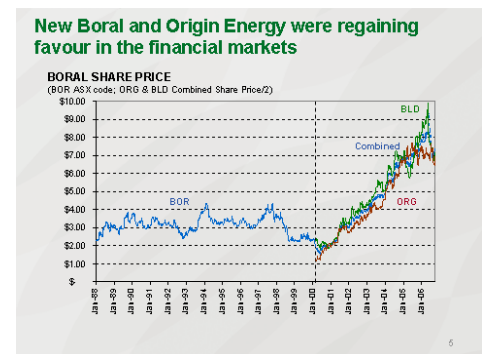
- **BORAL AND OUTWARD BOUND**

- A couple of years into my term as CEO, I was thinking harder about Boral's sustainability agenda. We were starting to get runs on the board in terms of cost and price management. We had completed a \$400m divestment program and our balance sheet was in a far healthier state than the 83% gearing level that we inherited at the time of the demerger. Our share price was heading in the right direction – and there was increasing evidence that the demerger decision had been the right decision for both Boral and Origin Energy.

- In addition to focusing on sustainable performance and growth, we were thinking more about

- leadership development,
- employee engagement, and
- community partnerships.

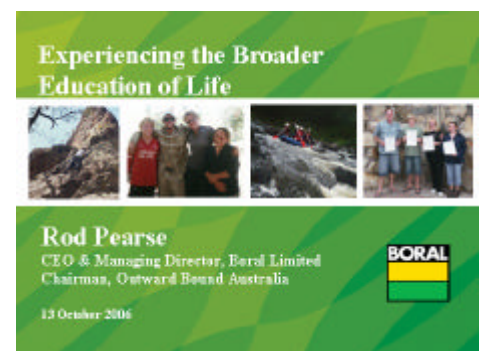
- I was also starting to think about my own personal contribution beyond Boral and the role that a CEO of a large company could play in the not-for-profit sector, if any.



- By coincidence and some good fortune, it was about that time, some four/five years ago, that I was on a skiing holiday in Perisher when I met Ian Curlewis, former Chairman of Outward Bound.

- In 1956, Ian's father, Sir Adrian Curlewis, played an integral role in establishing Outward Bound in Australia.

- Probably not surprisingly, the Australian story of Outward Bound has a strong military connection to its beginnings. An Australian Changi POW survivor, Sir Adrian Curlewis, (who later went on to become Chief Justice of the High Court), and a retired Australian Rear Admiral, Admiral Buchanan, started Outward Bound Australia in 1956.



- When I met Ian Curlewis he was a member of the National Council of OBA. After getting to know each other better, Ian asked me if I would be interested in getting involved with the organisation. In February 2003 I became a Board member and then rather unexpectedly eight months later, I became Chairman of Outward Bound.
- I did this because I have a long-standing view that secondary and tertiary education is not enough. To lead teams and to manage people – you need more than academic training you need life’s experience. As I have said, the Army helped me in that regard. And I soon realised that Outward Bound had been helping many others in a similar way for many years.
- It didn’t take us long to discover the synergies and opportunities that existed between Boral and Outward Bound.
 - We began to work closely with Outward Bound in the development of our emerging leaders;
 - We also focused on the work-life balance of our employees by introducing the Boral Outward Bound Family Rediscovery Programs;
 - And we wanted to “give something back to the community” by providing funding opportunities for “at risk” or less advantaged youth who benefit immeasurably from an Outward Bound experience.
- So today, Outward Bound is helping us to achieve some of our goals around leadership development and social responsibility.

- As part of a structured development program we offer our ‘emerging leaders’ an Outward Bound experience. This is delivering real leadership and personal growth outcomes that can’t readily be replicated in a classroom environment. The shared experience is building teamwork, camaraderie and self-confidence amongst our young managers and high-potentials.



- The objectives of our emerging leaders program, which generally focuses on internally promoted front line managers, graduates or MBAs with a few years of work experience are:

- **To strengthen the capacity, confidence and self-awareness of individuals,**

- To develop practical business leadership skills,
- To gain a deeper understanding of the human factors at play in the work environment,



- o To actively explore the linkages between the individual, their motives and drives, and
- o To explore the effectiveness of teams, and organisational change impacts.

In addition to extensively evaluating each program and quantitatively measuring feedback and trends in their responses, I think it's always telling to hear the comments and direct feedback from participants on these programs. Our people have been very positive:

"(The course was) both challenging and exciting.... an overall wonderful experience which tested both inner strength and the value of mateship/teamwork."

"(It was) fantastic to have some time away ... and to explore our potential as a leader. It was a stimulating self-learning environment to explore what makes us tick as managers, leaders, and people in relationship with friends, family, work, colleagues, and environment. I am confident the learnings from this experience will continue to unfold after the course is complete."

"Finding my weaknesses. I know what to work on to improve myself for not only work, but for life." and

"I think this is the best thing I've ever done in my life. It was life changing for me."

Emerging Leaders Program

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"Fantastic to have some time away with some fantastic people and **to explore our potential as a leader**. It was a **stimulating self-learning** environment to explore what makes us tick as managers, leaders, and people in relationship with friends, family, work, colleagues, and environment, etc. I am confident the learnings from this experience will continue to unfold after the course is complete."

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"I think this is **the best thing I've ever done in my life. It was life changing for me.**"

- We have now had close to 60 of our emerging leaders complete the 6-day Outward Bound challenge. This is one important element in our overall suite of development programs.
- But also of interest is the Boral Outward Bound nine-day Family Re-Discovery program. Since 2003, we have been offering 16 Family scholarships a year to Boral employees who have a son or daughter aged between 12 and 16.
- Over 100 Boral parents and children have now participated in the program, which is run across four states. Our Boral staff participants have ranged from front-line employees, admin and sales people, through to quite senior executives.

- Whilst it's no walk in the park for our families who have faced the challenge, they have grown through a common, positive experience. This is a unique way for us to help our employees take time out of their work schedules and focus their attention on their family. We are seeing evidence that a focus on work-life balance can deliver strong outcomes in terms of improved morale, loyalty, leadership skills and, more broadly, an improved level of social wellbeing.



- We choose our scholarship recipients based on family and financial need. When we received close to 80 initial applications back in 2003, we were quite overwhelmed by the level of need and the number of families who were in some form of "crisis".
- Pleasingly, their overwhelmingly positive feedback tells me that lives have changed!

- I want to share some of that feedback with you before I close this morning.
 - From one of our Dads:

"...The timing could not have come at a better time in our lives with Ammie hitting the young adult age ...and myself hitting that mid forties age...There were so many positives that come out of the 9 days ...I had forgotten the importance of communicating and laughing with my wife and three daughters."

- And from another:

"...The impact on my relationship with my son has been quite astounding (far exceeding my expectations) and my wife even asked if I brought the right lad back. I know it is early days; however Andrew is taking much more responsibility, has developed more self confidence and seems to have matured considerably in the nine days of mental and physical challenges".

- And from one of our mums:

"...it was definitely one of the best experiences I have ever had.... Since separating from my husband over two years ago, Ally's and my relationship has been really strained....we became much closer than we have been for ages, and learnt so much about each other and ourselves....Just to have her with me for 9 days in a row was wonderful, the longest time I have spent with her in the past two years. I learnt a lot of things about myself and people in general that I can apply to my family and my work life. I feel that I have come through a far better person."

- And finally:

"My daughter suffers from Depression, and at times her life is in such pain and turmoil that she suffers greatly.... The course helped to 'mend' some doubts and misconceptions my daughter had of me as she saw me struggle, face my fears and fight on with determination to overcome the pain, exhaustion and phobias I encountered. My daughter also showed courage, determination and wonderful leadership qualities that, although I knew she had, I'd never seen displayed so admirably before ...This gave her a greater sense of self respect and pride and a sense of 'family' that included not just her immediate family."

- Whilst I haven't focused much on the daily ins and outs of an Outward Bound course and the cultural underpinnings, I think these testimonials cover a lot of it.
- They are physically and often mentally challenging. They provide a unique environment for self discovery and reflection. Clearly they are providing an important piece in the puzzle of life's education.

Family Rediscovery Program

"The timing could not have come at a better time in our lives with Ammie hitting the young adult age (in the mid of being a kid and trying to be a young adult) and myself hitting that mid Forties age There were so many positives that come out of the 9 days but one that really dug deep to myself and my family is when your Daughter of 15 years says "Dad I forgot how much fun you can be". ... I had forgotten the importance of communicating and laughing with my Wife and Three daughters "

"...The impact on my relationship with my son has been quite astounding (far exceeding my expectations) and my wife even asked if I brought the right lad back. I know it is early days; however,Andrew is taking much more responsibility, has developed more self confidence and seems to have matured considerably in the nine days of mental and physical challenges. "

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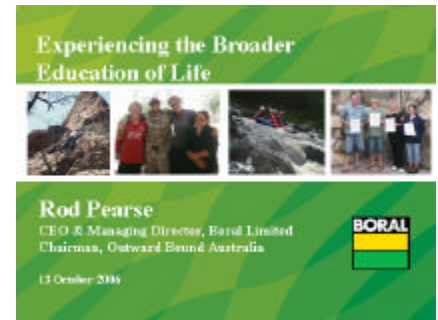
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- I am happy to take questions or talk further off-line about Outward Bound's programs or specifically about Boral's Emerging Leaders and Family Rediscovery programs.
- But just before I hand over I would like to take this opportunity to make an important presentation.



Honorary Lifetime Awards

- I would like to present Outward Bound Australia's Honorary Lifetime Awards to Sir John Holland and Charles Trethowan, who have kindly joined us here this morning.
- Sir John and Charles both worked very hard in the late 60s and early 70s to get Outward Bound up and moving. They were part of a strong contingency in Victoria that recruited members, raised funds, recruited participants and promoted Outward Bound. Their involvement and influence lent Outward Bound much credibility and support.

Sir John Holland AC

- Sir John Holland was one of the key people in the formation of the Victorian division in the early 1960s. He was Chairman of the Victorian Division from 1967-1970. John Holland Construction also hosted the organisation's Victorian offices. Sir John remains a passionate supporter and well deserves the Honorary Life Membership.

Charles Trethowan AM

- With around 35 years of association with OBA, Charles Trethowan was instrumental during the early days of the Victorian Committee. He served as the Victorian Committee Chairman from 1971 to 1973, taking over from Sir John. He has been a Foundation member officially since July 1987 (19 years). We are delighted to recognise his contribution and support of Outward Bound through this Honorary Life Membership.
- Allow Sir John and Charles to say a few words (if they wish??)
- Questions from the audience.

END