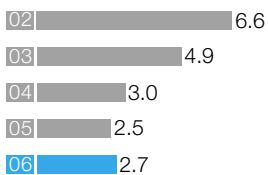




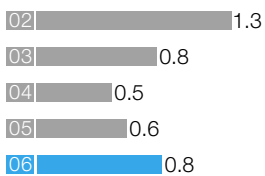
Commitment to Safety



James Hardie Safety Performance

(Recordable Case Frequency Rate)

Frequency per 200,000 hours worked¹



James Hardie Safety Performance

(Lost Workday Case Frequency Rate)

Frequency per 200,000 hours worked¹

This section of the report provides an overview of James Hardie's performance in the area of Environmental Health & Safety (EH&S) for fiscal year 2006. It outlines our progress against key indicators, lists our priorities, strategies and goals, and offers examples of projects that support our mission to become a leader in the area of Environmental Health & Safety.

James Hardie has a Health & Safety Policy that states:

- Employee health, safety and protection of the environment are critical to the way we operate and do business.
- All injuries, occupational illnesses and incidents are preventable. Our goal is zero injuries, occupational illnesses and environmental incidents.
- All employees have a responsibility to themselves and to others to act in a way that contributes to a safer, healthier and improved environment at work, at home and in the community.

EH&S is part of our Business and Operating Planning Review process and we have an EH&S improvement plan that defines and measures specific

safety activities, and clearly sets out roles, responsibilities and accountability systems for all managers and supervisors.

We collect leading indicators as well as historical statistics so we can effectively measure activities that are known to prevent incidents.

Improvements in safety performance

The key initiative we undertook in fiscal year 2006 was to develop and implement methods of systematically reducing the risk of high severity incidents within our operations. The primary indicator of severity is the number of Total Days Lost or Restricted Due to Workplace Injuries. We believe this is the best way of identifying the true impact and cost of injuries.

The two measures we use are:

- Recordable Case Frequency Rate, which measures the number of incidents which required some type of professional medical treatment per 200,000 hours worked¹ (this does not include first aid treatment); and
- Severity Rate, which measures the Lost Workday Frequency Rate plus the

¹ Assuming that employees work 40 hours per week, 200,000 hours is the number of hours 100 people work in a year.



Restricted Workday Frequency Rate (ie days lost or with restricted duties because of a recordable case) per 200,000 hours worked.

In the year ended 31 March 2006, the company's overall safety performance was relatively steady with a Recordable Case Frequency Rate of 2.7 and a Lost Workday Case Frequency Rate of 0.8. We did achieve a significant improvement in the total days lost or restricted due to workplace injuries; these were 33% lower than last year.

Asia Pacific Fibre Cement had a small improvement in the Recordable Case Frequency Rate, but there was a decline in overall performance, with an increase in days lost or restricted due to workplace injuries. The business unit is continuing to focus on the fundamentals:

- increasing the awareness of hazards and risks;
- establishing stronger levels of accountability;
- strong emphasis on communication of safety by management; and
- employing leading indicators and training.

A National Audit developed and implemented by the Asia Pacific safety team has now been adopted company-wide.

USA Fibre Cement had a small reduction in the Recordable Case Frequency Rate and incidents were also less severe, so the number of days that were either lost or restricted due to injury fell by 41%. This improvement was achieved by:

- Implementing a company-wide auditing tool which enables the plants to identify and correct any gaps in personnel knowledge, behavioural performance, management systems and risk reduction mechanisms.
- Developing and implementing a risk assessment tool which enables the plants to prioritise their initiatives and focus attention on addressing the hazards that have the highest likelihood of a severe incident.
- Developing a best practice program so that work practices and corrective actions developed in response to incidents are circulated throughout the organisation – this provides the highest level of employee protection by ensuring that all operations benefit from each

other's experiences and ingenuity.

- Refining the current programs to ensure that all components are being completed with a high degree of quality so we are moving towards our goal of developing a safety culture.

Commitment to further improvements

The businesses have made a commitment to reduce the Recordable Case Frequency Rate by 25% to less than 2 incidents per 200,000 hours worked for fiscal year 2007. An additional commitment has been made to reduce the seriousness of the effect that incidents have on people, by setting an objective that the Severity Rate will be less than 20 days of lost or restricted duties per 200,000 hours worked for fiscal year 2007.

To achieve this result, our US plants are developing an internal capability to:

- identify the gaps in personnel knowledge, personnel behaviour, management systems and risk reduction mechanisms and addressing any gaps that arise; and
- prioritise risk reduction initiatives and commit resources to reduce these.



The Asia Pacific businesses will focus on:

- achieving cultural change in top-down safety leadership in all areas of the organisation and developing ways of testing behaviours so the change can be measured;
- introducing a systematic approach to reducing the severity of incidents in manufacturing areas;
- developing core competencies to define training, knowledge and behaviours for all levels of the organisation; and
- simplified aligned EH&S systems.

Commitment to the environment

James Hardie's Environmental Health & Safety objectives specify that:

- Protecting the environment is critical to the way we operate and do business.
- We continue to seek ways to efficiently use materials and energy and to reduce waste and emissions.

We aim to comply with regulatory standards concerning the environment. All our operating plants are licensed by local government authorities, such as environmental protection agencies, and strive at all times to comply with their requirements for specific issues such as waste management, air emissions, effluent discharge, and storm water run-off.

Our goal is to continuously improve the resource and energy efficiency of our operations, and the environmental performance of our products.

We use renewable and recyclable resources

The raw materials we use are abundant. Cellulose fibre is obtained from plantation grown wood pulp; we use silica ground from sand or crushed quartz rock; and the water used in the manufacturing process is recycled a number of times.

Cement is the biggest contributor to the environmental impacts of our products, because of the energy requirements and emissions associated with quarrying and cement manufacture. The cement industry continues to improve its environmental performance by introducing new, cleaner technologies.

We conserve water, resources and energy

The water we use in our plants is recycled, cleaned and neutralised before discharge. The major energy input in our production comes from high-pressure steam curing of the product. Where possible, the steam is generated as a waste by-product from other industries. At one James Hardie plant, for example, excess refinery gas and steam from an adjoining oil refinery is used.

We minimise waste by recycling process materials

Solid wastes – such as trimmings and scrap, fine particles and reject material – are reintroduced into the production process as raw materials. Solid waste that can't be reused is certified by authorities as non-toxic and non-hazardous material that can be safely disposed of as landfill. Some plants

send their reject boards to their cement suppliers to be used in their processes. We are researching alternative uses for our other waste streams.

We protect against pollution

We strictly control dust emissions from manufacturing. For example, we use wet ball milling to grind sand. Fine particles generated by sanding and grinding finished sheets are mechanically collected and processed before re-use or disposal.

Our products contribute to energy-efficient building systems

Finally, our building products are used in lightweight construction systems that are among the most energy-efficient and environmentally responsible building systems available. They are also very durable and require little maintenance during their lifetime. The products have been in use for many years in residential and commercial building applications and do not suffer the durability problems of many other cladding materials.

If buildings created using our products are eventually demolished, the products can be safely disposed of as landfill or recycled.