

Supply chain

Boral has an extensive global supply chain across more than 25 countries. Each year, we spend about \$4 billion on purchasing products and services from more than 10,000 suppliers and contractors.



Delivering an efficient, agile and cost-effective supply chain is vital to meeting our customers' expectations and delivering on our business strategy. Our Supply Chain Optimisation initiatives across Boral Australia and Boral North America are focused on improving our customer experience by building more reliable, more transparent and lower cost integrated supply chains.

Our customers and other stakeholders want to be confident that our products and services are sourced and produced in a responsible and sustainable way. We are committed to creating positive change by making responsible and sustainable purchasing decisions.

SUSTAINABLE PROCUREMENT

Our Sustainable Procurement Policy underpins our approach to sustainable procurement and outlines our commitments to purchasing goods and services in a responsible way. This includes:

- ensuring suppliers are aware of and comply with our Supplier Code of Conduct
- promoting diversity and inclusion in our supply chain, including through social and Indigenous enterprises, and
- assessing and managing the risk of modern slavery in our supply chain.

The policy aims to align our practices with the International Standard for Sustainable Procurement, ISO 20400.

Boral's Supplier Code of Conduct requires our suppliers to adhere to minimum standards relating to health and safety, environment and labour, including prohibiting the use of child labour and complying with modern anti-slavery legislation.

MANAGING OUR SUPPLY CHAIN

Our Group procurement team, headed by Boral's Chief Procurement Officer, is responsible for managing Boral's suppliers including policy, risk management and sustainable sourcing. The team is supported by regional and divisional procurement teams across our global operations.

Although sustainable procurement is embedded across the procurement function, we also have a dedicated Sustainability Procurement Manager supporting this capability, including our focus on promoting supplier diversity.

Although Boral has typically responded to small supplier requests for shorter payment terms, we have now become a signatory to the Business Council of Australia's Supplier Payment Code. As a signatory to the voluntary code, we are supporting Australian small businesses by providing payment terms of 30 days or less, and simplified payment processes.

Assessing our suppliers

We monitor supply chain risks by assessing suppliers' performance and their alignment with Boral standards, including through a pre-qualification questionnaire. In Australia, we engage a third-party service to register and monitor suppliers' compliance with our pre-qualification requirements.

We assess supply chain risks including corruption and bribery, human and labour rights, HSE compliance, and quality standards. We may also visit a supplier's factory based on our risk evaluation results.



>10,000
suppliers



~\$4 billion
spent per year



In Boral Australia and USG Boral, we use a sanction screening process to identify any areas of risk associated with elements such as financial crime, fraud and human rights abuse.

During the year, we established a risk assessment framework focused on modern slavery risks in our supply chain, as detailed below.

Modern slavery risk in supply chain

We respect internationally recognised human rights, and are committed to preventing and mitigating adverse human rights impacts throughout our supply chain, as outlined in our Human and Labour Rights Policy.

In FY2019, we continued to develop and strengthen our approach to preventing modern slavery in our Boral Australia and Boral North America divisions. We will consider USG Boral's approach in more detail once strategic ownership changes impacting the business have been resolved in FY2020.

We mapped our supply chain in Boral Australia and Boral North America, identifying the key areas of modern slavery risk for both direct and indirect suppliers, and developed a risk-ranking methodology.

Our risk assessment focused on supplier categories with significant expenditure, including raw materials, capital equipment, plant and equipment, packaging, fuel and labour, consumer goods and maintenance, and repairs and operational services.

Risk factor measurements considered the type of products and services provided, as well as the country of origin and industry. Our country risk rankings are based on established external indices and indicators.

During the year, key procurement staff participated in modern slavery assessment workshops and contributed to peer industry forums on the topic. We also extended our FairCall external whistleblowing service to suppliers.

We will continue to develop our approach to modern slavery, and in FY2020, will finalise the implementation of:

- systems and processes for reviewing new and existing suppliers, and conducting ongoing monitoring
- due diligence processes based on our modern slavery risk assessments, including third-party assurance for high-risk suppliers

PROMOTING INDIGENOUS SUPPLIERS

We have a proactive approach to the inclusion of Aboriginal and Torres Strait Islander suppliers in our supply chain in Australia, as articulated in our Indigenous Procurement Policy.

Boral's Reconciliation Action Plan outlines our planned actions focused on ensuring that Aboriginal and Torres Strait Islander suppliers are properly represented in our supply chain. This includes further leveraging the practical support provided through our membership of Supply Nation to meet or exceed our obligations under federal, state and territory government Indigenous procurement policies.

In FY2019, our spend on Aboriginal and Torres Strait Islander suppliers, outside of our government procurement obligations, was more than \$5 million.

- company-wide modern slavery awareness initiatives and training
- a fully rolled-out framework that includes internal audit reviews of supplier screening, and reporting to ensure compliance, and
- formal processes for reporting any incidents of modern slavery identified – including to the Board and Board Audit & Risk Committee – and implementing remedial actions.

SUSTAINABLE SOURCING OF TIMBER AND PAPER

We are committed to promoting responsible and sustainable forest management. Our most significant exposure to deforestation risk is through our Timber business and the paper USG Boral purchases for plasterboard lining.

All timber sourced by Boral Timber comes from sustainably managed forests through an accredited scheme. Boral Timber's supplier, Forestry Corporation of NSW, is the largest manager of commercial native and plantation forest in NSW, and is certified to meet the Australian Forestry Standard (AFS). AFS is an independently audited forest management standard that provides assurance that forests are managed in a sustainable way.

Boral Timber's hardwood products are certified to the AFS Chain of Custody standard. Compliance with this standard confirms that our hardwood timber products are sourced from certified, legal and sustainable resources by tracking products back to their source.

In FY2019, USG Boral used about 170,000 tonnes of paper in manufacturing plasterboard, nearly all of which is certified as recycled paper by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).

SUPPLY CHAIN LOGISTICS

Ensuring the effective and efficient management of supply chain logistics is critical to meeting our customers' expectations.

In Boral Australia and Boral North America, our focus on customer experience includes improving the rate at which orders are delivered in full and on time, and invoiced correctly (DIFOTIC).

Our multi-year Supply Chain Optimisation program in Boral Australia and Boral North America is a key initiative expected to deliver improved DIFOTIC outcomes. The program focuses on improving the efficiency and effectiveness of our operated and outsourced logistics, planning and inventory control, and related information flows.

Initiatives underway in Boral Australia include the automation of transport allocations, integrated end-to-end planning, and digitalisation of the information flow between our operations, fleet and customers. Our Boral Connects customer portal, discussed on page 49, is enabling a more efficient flow of information to and from our customers.

Achieving zero harm to our people, suppliers, customers and the public is a key priority in managing our logistics operations.

Our approach to managing public road safety and heavy vehicle safety is detailed on pages 31 and 46. Our contracted drivers must meet the same safety requirements as our employees, which includes complying with minimum mandated vehicle safety standards. We also have robust systems and processes in place to manage safe access and delivery to our customers' sites, which includes site inspections on arrival.

Our Supply Chain Optimisation program is expected to reduce energy and carbon emissions intensity by delivering more products over fewer kilometres.¹

1. The carbon emissions associated with our owned and outsourced transport logistics, encompassing road, rail and shipping, is included in our Scope 1 and 2, and Scope 3 carbon emissions data on pages 38–39.