



Boral 2021 Annual General Meeting

Thursday 28 October 2021

CEO & Managing Director's Address by Zlatko Todorovski



CEO's Address

Thank you, Ryan.

Good morning everyone.

It's a privilege to speak to you about the past year and our vision for Boral's future.

INTRODUCTION – A NEW STRATEGY IN BORAL'S 75TH YEAR

The challenges of responding to the global pandemic continued during FY2021. But despite those challenges, the past year was one of substantial progress for us at Boral.

At a time when we celebrate Boral's proud 75th anniversary, we have reinvigorated our purpose, recalibrated our strategy, and set out in clear terms, our future direction.

It is no accident that our core business and direction reflects the foundations on which Boral's first leaders built this great Australian company.

Out of the bitumen that Boral started producing in the 1940s came roadmaking, around which Boral's asphalt and quarries business was built. The cement and concrete businesses were a natural early extension.

Today, our strategy is focused on these core Australian construction materials businesses – where we are a leader in quarries, cement, concrete, and asphalt.

We are also taking advantage of opportunities created by decarbonisation and growth in recycling.

With outstanding asset positions, built over many decades, we are ensuring our network is optimised and positioned for today and the future.

We are the only Australian-owned major construction materials company supplying the market with cement, concrete, aggregates and asphalt. And we are proud of that fact.

In refocusing Boral's portfolio, we have undertaken a **value-creating divestment program**.

As Ryan noted, we announced completion of the US\$1.015 billion divestment of our 50% share of USG Boral in April. And earlier this month we completed the divestment of our North American Building Products business for US\$2.15 billion. In both cases, the sale price exceeded expectations.

We have also completed the smaller divestments of the Meridian Brick joint venture in North America as well as the Timber business, and we are completing the sale of our Roofing & Masonry businesses in Australia.

In addition, we have announced plans to divest our North American Fly ash business, and we are at advanced stages of that process.







As a grant recipient from the Australian Government's CCUS Development Fund, we will receive up to \$2.4 million towards a pilot-scale carbon capture and storage project. The project will capture carbon from our Berrima Cement plant and permanently store it in recycled concrete, masonry, and steel slag aggregates, improving the quality of recycled materials.

We are investing in R&D and partnering with others – including academia, government and through collaborative industry innovation hubs – to secure access to leading technologies.

We are collaborating with customers and supporting them to make more sustainable choices, including offering Climate Active–certified net carbon neutral concrete. Relative to conventional concrete, our premium product, ENVISIA®, delivers superior performance including in high strength engineering applications, while delivering a reduction in embodied carbon of more than 40%⁴ through a cement replacement of 50% or more.

Sustainability, including decarbonisation, is not something we are doing around the edges. It is an integral part of Boral's strategy. It makes good business sense. It gives us a clear competitive advantage, and it is the right thing to do.

The **fourth pillar** of our strategy is to **extend** the business by exploring opportunities to commercialise innovations and is likely be realised over a longer time period.

FY2021 – SOLID RESULTS IN A CHALLENGING BUSINESS ENVIRONMENT

Let me comment on the performance of the business in FY2021, starting with safety.

SAFETY PERFORMANCE

In FY2021, Boral Australia reported a 67% reduction in its actual serious harm incident frequency rate and a 53% reduction in potential serious harm incident frequency rate. This reflects a focus on critical controls as well as identifying and preventing incidents that cause serious harm.

While these important indicators showed improvement, Boral Australia's recordable injury frequency rate was 11.9, which compares with 10.0 in FY2020.

We are determined to reduce the incidence of all injuries in Boral.

We maintained our record of not having any reportable employee or contractor fatalities in operations under our operational control in FY2021.

However, you might recall that this time last year I talked about the tragic event in July 2020 when an employee driver of a Boral cement tanker was involved in a devastating accident that caused the death of a young girl and serious harm to several others.

⁴ Compared to Infrastructure Sustainability Council reference case.



Later in the year, there were two further separate fatalities on public roads in regional NSW. In each case, a member of the public sadly lost their life when they lost control of their vehicle causing them to collide with a Boral heavy vehicle.

We manage around 3,500 heavy vehicles in Australia – a reminder each and every day, of the importance of upholding the highest safety standards, and prioritising driver training, vehicle safety and awareness campaigns to improve road safety for all road users.

COVID-19

This most global of pandemics has had a devastating impact on millions of people, including, sadly, some of our own people. In North America, six of our employees lost their lives in the past year.

These tragic losses are horrendous ordeals for family members and our local teams, but the sadness and loss reverberate across geographic boundaries.

In Australia, we have had a small number of confirmed cases of COVID-19 amongst employees. The situations have been well-managed, and the affected employees have returned to work.

It is fair to say that managing through the pandemic an





In Victoria, our second largest geographic exposure, we experienced encouraging volumes for most of the period until mid-September when a snap shutdown of construction occurred.

September concrete volumes in Melbourne were down 23% year on year, following a strong July and August where Melbourne concrete volumes were 11% higher than the prior year.

Activity in Queensland and Western Australia was largely unaffected by COVID impacts. Concrete volumes in Queensland were up 15% on the prior year, while WA volumes were broadly steady.

In South Australia, there was a significant impact from COVID lockdowns in late July but a strong rebound in the second half of August resulted in overall steady volumes for the quarter.

Overall, our total concrete volumes nationally for the quarter were 2% lower than the prior year, with a 14% decline in New South Wales offsetting an increase in most other states.

In August, we said the EBIT impact of higher costs and lower volumes due to COVID disruptions and lockdowns in the first quarter may be in the order of around \$50 million, including a \$16 million impact in July.

We now know that the actual EBIT impact of COVID related costs and lower volumes in the first quarter was around \$33 million, which is better news than we originally thought. In addition to the \$16 million impact in July, there was a \$12 million impact in August and \$4 million in September.

We are likely to see some trailing impacts from COVID restrictions in the remainder of FY2022, including some further volume impacts in October, particularly in Victoria. At this stage though we don't expect the adverse EBIT cumulative impact for the year to exceed \$50 million, which was the original amount foreshadowed for the first quarter only.

While Concrete volumes were down around 2% in the September quarter, Quarry volumes were up around 3% relative to the prior year. This was driven by revenue in our Asphalt business, which also pulls through quarry products, which increased 3% in the first quarter relative to the same period last year. While this reflected stronger activity in Queensland and Southern Region offsetting lower activity in New South Wales and Western Australia, asphalt margins were softer than the prior September quarter primarily due to the completion of higher margin project work.

In the first quarter, revenue from continuing operations was down around 1% on the prior year. EBIT was down more reflecting the impacts of COVID restrictions particularly in New South Wales where Boral has higher fully integrated margins. The benefits of our Transformation program only partially helped to offset lower EBIT due to COVID lockdowns.

Looking now at the remainder of FY2022.



While the swings in activity levels and COVID impacts continue to create uncertainty and challenges in FY2022, it is pleasing to see the rebound in activity as we are coming out of lockdown.

We continue to bid for infrastructure projects but major project work moving into the execution phase remains slow. However, a return to construction work in all states may see improvement in infrastructure activity in the second half of FY2022, particularly road construction.