

SUSTAINABILITY REVIEW



SUSTAINABILITY HIGHLIGHTS

Drove our **Zero Harm initiative** which led to the implementation of James Hardie's global **EHS Management System**

Engaged in Lean Manufacturing transformation through the implementation of the **Hardie Management Operating System (HMOS)**

Invested in plant infrastructure to upgrade **Water Recycling Capability** and **Reduce Water Use**

Continued to support corporate and employee engagement in **local communities** where we live and work

Upgraded our ISO14001 System at three North American plants and at our European plants

Selected the **2019 Readers' Choice "Greenest Siding Product"** by *Green Builder* magazine

SUSTAINABLE MANUFACTURING

James Hardie's commitment to environmental excellence and the value the company places on long-term sustainability is reflected in its maintenance of a comprehensive environmental management system together with our commitment to efficient manufacturing processes.

In fiscal year 2019 we introduced the Hardie Manufacturing Operating System (HMOS). HMOS drives improvement in our manufacturing and environmental performance through: (1) Employee Engagement and Empowerment, (2) Elimination of Daily Variability, and (3) Continuous Improvement in the Manufacturing Processes. HMOS is a key aspect of James Hardie's sustainability initiative, continually driving collective improvements in manufacturing efficiency, resource utilisation, and housekeeping.

James Hardie manufactures products that reflect our commitment to environmental stewardship. By producing environmentally friendly products we contribute to a variety of LEED New Construction points including:

James Hardie® Exterior Products:

MR5 (MR4 for Homes) Recycled Content
MR5 (MR4 for Homes) Regional Materials

James Hardie® Interior Products:

Low-Emitting Materials (our HardieBacker® product line is certified GREENGUARD Gold)

Sustainably Manufactured Product Highlights:

- High quality standards for the raw materials used to drive best in class performance of our products;
- At least 75% of our raw materials are locally sourced, reducing the environmental impact caused by transportation of materials;
- Our 19 manufacturing plants on four continents support the respective regional economies in which they are located, again reducing the environmental impact caused by transportation of our product;
- Raw materials such as cement, cellulose pulp, sand, and water are low in toxicity; and
- Durable fiber cement and fiber gypsum materials not only require fewer resources for replacement, but help reduce maintenance, repair and replacement costs.



ZERO TO LANDFILL IN EUROPE

James Hardie Europe has four fiber gypsum manufacturing facilities across three European countries: Germany, the Netherlands and Spain. We are proud that all of these facilities are zero waste facilities with no landfill generated. We utilise four sources of gypsum, three of which are recycled materials. The fiber we utilise in our fiber gypsum products is produced from waste paper which is 100% recycled. We are proud to maintain a manufacturing process that leverages a majority of materials that are recycled and produces zero waste.



SUSTAINABILITY REVIEW (CONTINUED)

ENVIRONMENTAL MANAGEMENT & STEWARDSHIP

James Hardie embraces an Environmental Policy that is based on four guiding principles:



- RENEWABLE AND RECYCLABLE RESOURCES**
- WATER, RESOURCE AND ENERGY CONSERVATION**
- PROTECTION OF THE ENVIRONMENT**
- FULL LIFECYCLE AND PRODUCT SUSTAINABILITY**

James Hardie remains committed to implementing innovative solutions that optimise the use of raw materials, water and energy resources. Environmental stewardship highlights include:

- Beneficial use of waste water for companies in the mining industry near our facilities;
- Enhanced recycling of waste material into our manufacturing process;
- Improved raw material use from improved manufacturing yields;
- Installation of energy efficient LED lighting across our global operations;
- Enhanced boiler efficiency modifications in our Asia Pacific operations;
- Beneficial use of 100% recycled paper in European fiber gypsum operations; and
- Upgrades to ISO 14001-2015 standard in our North American and European plants.

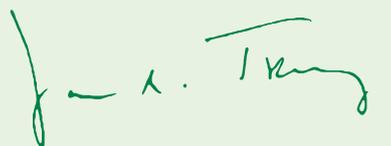
CEO MESSAGE ON SUSTAINABILITY REPORTING



The Executive Leadership Team and I are committed to delivering a full sustainability report by the end of fiscal year 2021.

We have decided to adopt the Global Reporting Initiatives (GRI) framework. The GRI will provide a framework for us to report on material topics, their related impacts and how they are managed, and is the most widely adopted framework for Environmental, Social and Governance reporting.

Management's plan has the full support of the Board. As we engage in this transition toward fiscal year 2021, we will continue to improve upon the sustainability reporting we include in our Annual Review and Annual Report on Form 20-F.



Dr Jack Truong
CEO

ZERO HARM SAFETY CULTURE

Our Zero Harm Safety Culture mission is to become a World-Class Safety Organisation focused on Safe People, Safe Plants, and Safe Systems.



ZERO HARM IN ACTION IN OUR COMMUNITY

Zero Harm extends beyond the workplace. A James Hardie employee at our Pulaski (Virginia) facility was recognised by leadership for providing a high visibility vest to a citizen directing traffic at the scene of an auto accident and for taking the time to provide instruction on how to position himself on the road to reduce risk. One of many examples of James Hardie's Zero Harm initiative in action.



In February 2019 our Wijchen, Netherlands plant celebrated 1000 days without a safety incident.

PRODUCT SAFETY – RESOURCES ON THE GROUND

More than 50 technical specialists around the country share their expertise in training and applying installation best practices, building science fundamentals, construction and installation efficiencies, and small business development assistance. In many parts of North America, this includes on-site "First Board, First Nail" training at the beginning of key projects to ensure they get off to the best start possible.



SOCIAL RESPONSIBILITY

James Hardie and its employees contribute to and support community improvement activities in the areas in which we operate through participation in and monetary donations to charitable groups and activities, including:

- School supply drives at various locations across the company;
- Food donations and food drives for homeless shelters;
- United Way Labor of Love initiative – Repairs and winterisation of over two dozen homes near our Peru (Illinois) plant;
- Toys for Tots;
- Habitat for Humanity;
- Relay for Life;
- Wreaths Across America;
- Over US\$1 million in employee and company matching donations to charitable organisations; and
- Donated over US\$100,000 of building products to the Christopher House, a family of schools that helps low-income, at-risk families succeed in school, the workplace, and in life.

ASBESTOS FUNDING

During July 2019, James Hardie will contribute approximately US\$100.9 million to Asbestos Injuries Compensation Fund (AICF).

This amount represents 35% of James Hardie's free cash flow for fiscal year 2019, which James Hardie is obliged to contribute as part of its commitment under the Amended and Restated Final Funding Agreement (AFFA).

Including its July 2019 contribution, James Hardie will have provided over A\$1.3 billion towards asbestos compensation.

Annual Actuarial Assessment

KPMG Actuarial conducts an annual actuarial assessment of AICF's liabilities as a regular update of projections in line with actual claims experience and the claims outlook.

James Hardie received an updated actuarial report from KPMG Actuarial at 31 March 2019, which showed the undiscounted and uninflated central estimate net of insurance recoveries decreased from A\$1.443 billion at 31 March 2018 to A\$1.400 billion at 31 March 2019.

James Hardie discloses summary information on claims numbers as part of its quarterly results releases. For additional information, please see the full 2019 actuarial report of KPMG Actuarial, which is available on our Investor Relations website (www.ir.jameshardie.com.au).



WORKPLACE SAFETY

We are fully committed to providing a safe and healthy working environment for every individual that works at or visits any James Hardie site.



In fiscal year 2019, our global Incident Rate and Days Away, Restricted or Transferred (DART) rates were 0.84 and 0.39, respectively. These rates are significantly better than the average in our specific industry, cement and concrete product manufacturing, which had rates at 5.0 and 3.2, respectively.

We strongly believe that any injury at any one of our sites is one too many. During fiscal year 2019 we continued to intensify our progress on our Zero Harm Culture initiative, with an enhanced focus on our commitment to provide a workplace that does not result in physical harm to any individual at any of our sites. We ensure our employees are included at the core of this commitment through their active participation in our Safety Culture Steering Committee. The Steering Committee consists of a broad cross-section of employees from each plant as well as representatives from various corporate manufacturing and support functions.

The Safety Culture Steering Committee developed and is now implementing their multi-year plan to attain our Zero Harm Culture goal, with specific emphasis placed on a number of safety activities such as:

- SafeStart® and Milliken Safety Way® training for manufacturing employees and management team members;
- Sustainable housekeeping in manufacturing plants as part of our 5S initiative. Our 5S housekeeping standards are Sort, Set in order, Shine, Standardise, Sustain;
- Installation, evaluation, and improvement of our dust capture and control mechanisms to eliminate harmful employee exposures and to ensure compliance with the OSHA Silica Standard;
- Inclusion of intensive EHS analysis in all plant process modifications and expansion projects;
- Global standardisation and optimisation of safety procedures and processes to ensure minimum standards are implemented across our world-wide operations;
- Implementation of our Zero Harm Management System that provides reporting, root cause analysis, corrective action tracking, and other data analytics to support and focus resources on opportunities for improvement; and
- Provide tools and training to the installation specialists James Hardie partners with to ensure our product is installed safely and correctly.