

# Annual Report 2023

Fletcher Building Limited



PlaceMakers customer and home renovation specialist Al Wilkinson of Craftsman Builders checks against their online order with driver Manpreet Singh.

# Contents

Welcome to our FY23 Annual Report, which describes our business operations, approach to doing business and performance for the year. As with our previous reports, we have included commentary on our strategy, governance, environmental and social performance of our business alongside our financial results. We welcome questions, comments or suggestions about this report to [investor.relations@fbu.com](mailto:investor.relations@fbu.com).

This report and our previous reports and presentations are available at [fletcherbuilding.com](http://fletcherbuilding.com).

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This Annual Report is dated 16 August 2023 and is signed on behalf of the Board by:



Front cover: Project Director, Stewart Vaughan, with Distribution site coordinator, Keri Wyrill, oversee final touches made at the new Winstone Wallboards® facility, Tauriko, Bay of Plenty as it gets set to begin shipping GIB® plasterboard.



Throughout this annual report there are QR codes that you can scan with your mobile phone camera to view additional online material.



Welcome to the interactive PDF. For the best experience, use Adobe Acrobat Reader. Click on the sections above to go to the desired pages. To go back to the contents, click on the ◀ CONTENTS menu button on the top right of each page. The financial statements, notes, and references are also clickable for your convenience.

# We are Fletcher Building

Fletcher Building is a significant manufacturer, retailer, home builder and partner on major construction and infrastructure projects. Spanning the full value chain, we operate diversified businesses across our core markets of New Zealand and Australia, from resource extraction, product manufacturing and distribution through to property development and infrastructure construction.

Our purpose, 'improving the world around us through smart thinking, simply delivered' is focused on accessing the best ideas from around the world, or through innovating in our own right, and bringing them to market in ways that make our customers' lives easier. As a business, we are decarbonising, recycling, minimising waste and continually innovating to produce better, more sustainable products and homes. In doing so, we are building better environments for our customers and communities, and a more sustainable future for generations to come.

Fletcher Building is dual listed on the NZX and ASX, and operates through six divisions – Building Products, Distribution, Concrete, Australia, Residential and Development and Construction.

(1) Measures before significant items are non-GAAP measures used by management to assess the performance of the Group and have been derived from Fletcher Building's consolidated financial statements for the year ended 30 June 2023.

(2) Total Recordable Injury Frequency Rate. Total number of recorded injuries per million hours worked. Does not include Restricted Work Injuries. Excludes Rocla®, Tumu® and Waipapa.

(3) Net Promoter Score measures how satisfied our customers are with our business; excludes Altus and the Construction division.

(4) Combined Scope 1 and Scope 2 emissions reduction for the Group. Refer to page 26 for further details.



Safety TRIFR <sup>(2)</sup>

**3.1**

2022 3.4



Employee eNPS

**26**

2022 23



Carbon  
emissions <sup>(4)</sup>

**16%**

reduction from  
FY18 baseline year



Customer NPS <sup>(3)</sup>

**40**

2022 36

## At a glance

**14,900+**

People in New Zealand,  
Australia and the South Pacific

**980**

Operating sites

Revenue

**\$8,469m**

2022 \$8,498m

Net earnings – reported

**\$235m**

2022 \$432m

EBIT before  
significant items <sup>(1)</sup>

**\$798m**

2022 \$756m

EBIT margin before  
significant items <sup>(1)</sup>

**9.4%**

2022 8.9%

Cash flows from  
operating activities

**\$388m**

2022 \$592m

Leverage ratio  
(net debt/EBITDA)

**1.2x**

2022 0.6x

Earnings per share

**30.0¢**

2022 53.5¢

Total dividend

**34.0¢**

2022 40.0¢

# Chair's Report



Bruce Hassall, Chair

## Dear Shareholders

I am pleased to introduce Fletcher Building's Annual Report for FY23. Fletcher Building successfully continues to execute its strategy with the delivery of another strong year. In a rapidly changing environment, we continue to be guided by our purpose of 'improving the world around us through smart thinking, simply delivered'. Our purpose connects the different parts of our business and demonstrates how the work we do can make a positive impact on the people and communities around us.

In a slowing residential market, the Group held revenue flat and delivered further improved year-on-year underlying profit and margins while return on funds employed remained ahead of target. Net earnings attributable to shareholders was \$235 million compared to \$432 million in FY22. This included \$255 million additional construction provisions relating to the New Zealand International Convention Centre and Hobson Street Hotel ('NZICC'). Despite good progress on the site, these provisions reflect the significant complexity of the rebuild and where costs are expected to exceed insurance proceeds. The Company will continue to pursue its rights to recovery under the Third Party Liability ('TPL') policy. This is in addition to an amount recoverable from the Contract Works Insurance. NZICC is Fletcher Construction's last project in the vertical sector, as a decision to fully exit this sector was made in 2021. The Board is focused on seeing the project to completion whilst remaining focused on driving the continued success of our overall Group strategy.

Significantly, approximately \$640 million was strategically invested back into the business during the year. This included the construction of the new Winstone Wallboards plant at Tauriko, growth investments such as the acquisitions of Waipapa Timber in Northland and Tumu stores in the Hawke's Bay, the commencement of organic investments into a new Laminex panels plant in Taupō and land acquired for our new frame & truss operations in Auckland. Additional investments are focused on developing more sustainable building solutions for our customers along with circular initiatives that focus on reducing waste.

Against this backdrop, the Board was pleased to approve a final dividend for the year ended 30 June 2023 of 16.0 cents per share (fully imputed and unfranked) to be paid on 5 October 2023. Combined with the 18.0 cents per share interim dividend, this brings the total dividend to 34.0 cents per share for FY23. This is in line with the policy to pay dividends in the range of 50% to 75% of net earnings before significant items and having regard to available cash flow.

During the year, the Board oversaw the implementation of a more ambitious sustainability strategy and targets which are outlined in this report. We have committed to become a net zero business by 2050. We also have targets to derive 75% of the revenue from products made or sold by our manufacturing businesses from sustainably certified products and to divert 70% of our waste from landfill by FY26.

Further enhancing our safety performance remains a key priority as we target our long-term goal of zero serious injuries and 100% of our sites being injury free.

We are also prioritising building an inclusive culture and on cultivating a better gender and ethnicity balance in leadership. As a demonstration of our commitment, we are aiming to achieve 30% female representation in leadership roles by FY27. These initiatives are ambitious, but we believe that as an industry leader, we can have a direct influence in addressing these gaps.

We are making good progress in enhancing our digital capabilities across the Group, growing our online presence and services to deliver better experiences for our customers and more personalised data-led insights.

It is pleasing to see the performance culture that is becoming embedded to deliver long-term sustainable performance across both financial and non-financial metrics. Importantly, this focus is aligned to driving meaningful outcomes for our people and customers.

On governance, we appointed Sandra Dodds as a non-executive director of the Company effective 1 September 2023. With over thirty years' experience in senior executive and board roles, Sandra brings strong leadership skills, relevant industry experience, commercial acumen and governance expertise to the Board. We also increased the minimum share ownership by directors as well as reducing the Nominations Committee to a subset of the Board, comprising three members.

Continued enhancements were made to remuneration as outlined in the Remuneration Report. Given the improvement of our safety performance and maturity, with TRIFR at record low levels and nearing global best, we reviewed our approach to safety in the STI plan, so that it aligns to our strategic approach.

As a Board we remain focused on our core responsibilities to ensure Fletcher Building has the right strategy and execution, talent and risk management to deliver value in the near- and longer-term. While we are anticipating a tougher market in FY24, we have a good operational cadence which positions us well for through-the-cycle performance and the growth investments we are making will further enhance the strength and earnings of our business. Notwithstanding the risks related to the Construction legacy projects and the Iplex Australia Pro-fit pipes matter, as outlined in the CEO's Report, we are confident about the pathway Fletcher Building is on which strongly positions the organisation for the future, both in New Zealand and Australia.

I would like to express my gratitude, on behalf of the Board, to our people across the Group for their commitment and efforts to deliver another successful year. We also thank our shareholders for your continued support.

A handwritten signature in black ink, appearing to read 'Bruce Hassall'.

Bruce Hassall  
Chair

# CEO's Report



Fletcher Building's FY23 financial result continues to build on the progress we have made in both EBIT levels and EBIT margins over the last several years.

Despite softer residential markets in New Zealand and Australia and the major New Zealand weather events in the second half of FY23, Group revenue for the year was \$8,469 million compared to \$8,498 million in FY22 and EBIT before significant items was \$798 million, up 6% from \$756 million in FY22.

Group EBIT margin of 9.4% in FY23 lifted from 8.9% in FY22 which was a good performance in a slowing market where overall FY23 volumes fell 5% to 7% below the 2H22 peak. Our New Zealand residential business sold 617 homes in FY23, while this was less than the prior year, it was a strong result in a challenging market. Our return on funds employed (ROFE) remained ahead of target at 17.1%.

Net profit after tax was \$235 million, after adjusting for significant items of \$301 million. This included the additional Construction provisions of \$255 million, which relates to the NZICC project.

Cash flows from operating activities were \$388 million, compared to \$592 million in FY22. Adjusting for tax, funding costs and lease principal repayments, Fletcher Building businesses generated trading cash flows of \$475 million compared to \$462 million in FY22. Our balance sheet remains strong with \$1.4 billion liquidity.

Importantly, we continue to look forward and are focused on positioning the business for growth in the medium term. We are now well into our \$800 million investment programme in a number of opportunities across our markets and businesses. Projects commenced in FY23 include the expansion of Laminex New Zealand's Taupō plant, the expansion of our insulation plant in Auckland, and the commitment to grow and automate our Auckland frame & truss operation. The acquisition of Northland's Waipapa Pine Limited and Renewable Fuels Limited ('Waipapa') has seen us establish a new Wood Products business and we increased our distribution network in the lower North Island through the purchase of six Tumu building supply stores and a frame & truss plant. All growth opportunities have been assessed against robust criteria including exceeding our ROFE target rates of 15%. These will progressively mature over the coming couple of years and by FY27 we would expect to see a full run-rate EBIT uplift of approximately \$120 million to our underlying earnings base.

Our \$400 million investment in Winstone Wallboards GIB plasterboard manufacturing and distribution facility in Tauriko, Tauranga has now commenced production and will be fully

operational by the end of October 2023. The new plant's state-of-the-art technology, delivers more production capacity allowing for product innovation and future growth.

Underpinning our financial performance is our commitment to raising the bar across all our non-financial goals; safety, people engagement, customer experience and the sustainability of our business and activities.

Our people's commitment to workplace safety achieved a 12% improvement in Total Recordable Injury Frequency Rate (TRIFR) from 3.4 to 3.1 and 90% of sites were injury free over the year.

People engagement lifted again in FY23, and we received an employee Net Promoter Score (eNPS) of 26 which is in line with the global median. The feedback we collected from our people in the engagement survey will support our efforts to make Fletcher Building an even better place to work.

Improved service offerings, product availability, commitment to delivery in full, on time (DIFOT) and product innovation contributed to a 4 point lift in our customer Net Promoter Score (NPS) to 40 in FY23.

We continue to make good progress on decarbonising our operations and products with our combined scope 1 and 2 emissions of 1.021 Mt CO<sub>2</sub>e in FY23. This was 4% lower than FY22, and 16% lower than our FY18 baseline year.

The majority of our Construction legacy projects are now nearing conclusion. The opening of the Ara Tūhono – Pūhoi to Warkworth motorway to vehicles in June 2023 was a significant step towards this. While the need to take further provisions through the year on the NZICC project was very disappointing, the project continues to move closer to final completion. We expect all carpark levels and the Hotel component to be complete through this year and the overall project to be completed by December 2024.

We have acknowledged that Iplex Australia has received a number of product quality complaints in Western Australia relating to polybutylene hot and cold-water pipe product it manufactured under the name "Pro-fit". While Iplex Australia has not yet determined the cause of the problem, we also acknowledge the frustration and inconvenience impacted homeowners have been facing. In April we established a A\$15 million fund to provide financial support to builders and plumbers to repair leaks and damage and replace pipes, while gathering data to understand causation. Iplex Australia continues to focus on a resolution for all stakeholders.

Looking forward to FY24, we expect some further tightening in our overall volumes and so our focus remains on strong customer performance, cost control and pricing disciplines across our businesses. We have shown we are well equipped to continue performing solidly through the cycle.

Reflecting on all we've accomplished over the past year, I'm pleased with the way our people have continued to show their resilience, innovative spirit and commitment to supporting our customers and each other. I also wish to extend once again my thanks to our shareholders, customers, and suppliers. I look forward to connecting you with further updates on our progress in FY24.

**Ross Taylor**  
CEO



General manager, Mike Arthur, and HR advisor, Joyce Lau, inspect stock at Laminex® New Zealand distribution centre in Penrose.

# Building an enduring sustainable business

Five goals have driven Fletcher Building's strategic direction over the past five years. We have lifted our safety performance, delivered better outcomes for our customers, strengthened our cost and pricing disciplines, elevated our businesses' relative market positions and led the way by advancing our sustainability and innovation outcomes.

We are confident the New Zealand and Australian building sectors provide an attractive environment to invest and continue growing our business. We work within stable economic and political environments, and our relative isolation combined with our deep commercial understanding of these markets provides the right conditions for Fletcher Building to be industry leaders across our portfolio of businesses.

By understanding the opportunities we have within our markets, we have adapted and shaped what we need do, and how we need to do it.

## Maximise local market opportunities

The size, scale and isolation of our local markets allow us to be competitive against importers, as well as lead the way on disruptive innovation. In both New Zealand and Australia, the long-term growth outlook for the sector is robust owing to a combination of strong population growth, and an infrastructure deficit across both countries that requires major catch-up expenditure.

## Align to our purpose

We invest where opportunities align to our purpose. Our commitment to living up to our purpose of 'improving the world around us through smart thinking simply delivered', continues to underpin the choices we make for Fletcher Building's future success.

## Build market leadership

Our investments are aligned to areas in which we are confident we can reach a market position of #1 or #2. We also look for opportunities that can achieve sufficient scale to provide us with a sustainable competitive advantage against local and global competition.

## Apply global best practice for competitive advantage

We source and apply global best practice in the local market for each of our businesses, to support our aspiration to provide our customers with market leading products and services.

## Driven through key focus areas



SAFETY



CUSTOMER



OPERATIONAL  
& FINANCIAL  
PERFORMANCE



INNOVATION  
& GROWTH



SUSTAINABILITY



CAPABLE &  
HIGHLY ENGAGED  
PEOPLE

## Anchored by our values





SAFETY



CAPABLE & HIGHLY  
ENGAGED PEOPLE

# Zero injuries, every day

In FY23

## 3.1

TRIFR  
a 12% reduction  
since FY22

We continued to make progress in delivering our Protect programme and our people-led further safety performance improvements this year. Our Total Recordable Injury Frequency Rate (TRIFR) of 3.1 reduced 12% from last year. In addition, all recordable injuries reduced to 146 this year compared to 156 in FY22. This means that 10 more people went home safe and healthy to their families.

In the past 12 months, we recorded three serious injuries (compared to two in FY22), and 90% of our sites were injury free. This shows that while we have improved safety significantly in recent years, getting to our goal of zero injuries needs persistence, innovation and sustained effort.

## 89%

of our people  
believe leaders take  
responsibility for safety

Our leaders at the frontline are responsible for daily safety practices on our sites and continue to drive and embed our safety culture as our safety performance improves. They delivered more than 25,000 hours of Power Up frontline training this year, an important formalisation of what we know already, that our frontline people are our safety experts on site. Feedback from our people was very positive with over 95% saying that they believed that Power Up would make them safer as a team.

### Looking ahead to manage and monitor risk

## 25,000

hours of Power Up  
frontline engagement

Our focus on our critical risks continued throughout the year. In addition to our Life Saving Rules, focus on high potential incidents and our Risk Containment sweeps, we started the verification of the Critical Controls we expect to be in place across the business across our 21 Critical Risks. In addition to Leader Walks and Risk Containment sweeps, Critical Control Verification (CCV) provides leaders with another tool in their toolkit for our people to engage meaningfully with safety on site. Importantly it also provides leaders a measure of confidence that safety culture is having an effect on safety practices, and that our critical risks are contained and controlled to the standards that leaders expect. In FY23, we completed more than 4,400 risk containment sweeps, contained more than 1,700 high severity risks, and completed more than 2,800 critical control verifications across the business.

across the Group matures towards a more 'interdependent' state, characterised by high competency and a collective supportive safety environment. We have been continually moving towards lead indicators to help guide our approach to safety and CCVs will form an important part of this movement towards risk elimination. We are starting to use our data to predict injuries before they happen and innovate how we control our risks.

## 1,700+

high severity risks  
contained

One example of how we do this is Fletcher Construction's piloting of digital exclusion zones with machine-control technology at the Eastern Busway project in Auckland. This year, the Engineering Services team has been successfully building and testing a workflow to lock out an excavator from contact with Auckland's most significant water pipe. The opportunity for this technology goes beyond preventing possible harm to also avoiding further cost and delay disruption for customers and local stakeholders.

## 2,500+

Fully trained safety leaders

Adopting critical controls marks a significant change in the way we measure and review our progress on safety as our culture

“ I live and breathe this [Protect] Value at work and at home. I want to be able to come to work in the mornings and go home safe to my family at the end of every day. I am very passionate about my ‘why!’ ”

Anon, FBuSay Survey 2023.

## Action on building belief

Our progress in the four years since we made Protect a value and reset our safety culture through its namesake programme, has been a point of pride for our 14,900+ people across the Group. We understand that as a safer business, we are a better business for ourselves, our customers and the communities we support.

In FY23, we sent 18 more people home safe and serious injury-free, than four years ago. On the same time horizon, 130 more people also went home without any injury this year (a 47% improvement on FY19). As a result, our Total Recordable Injury Frequency Rate (TRIFR) reduced from 5.2 in FY19 to TRIFR of 3.1.

We put these improvements down to a simple concept which we have embraced and which has been shown to be life changing in how our people think about safety at Fletcher Building:

We believe all injuries are preventable.

In FY23, the results of our annual engagement survey highlighted that our people in all areas of the business feel a powerful connection to

this belief – 86% in fact - and that the belief has inspired a strong connection among safety leaders with 89% of people reporting that their immediate leader, supervisor or manager takes responsibility for safety at work.

When it comes to safety, we know we can never be too comfortable. We still have high potential incidents which remind us that our work is never done.

But we also know there is time to celebrate success, and with each improvement we make sure we recognise those that do the hard work - our people. They are doing a fantastic job of caring for each other.



Video:  
This is Protect - our  
safety programme

Since Protect Reset:

**47%**

reduction  
in recordable injuries  
since FY19

**86%**

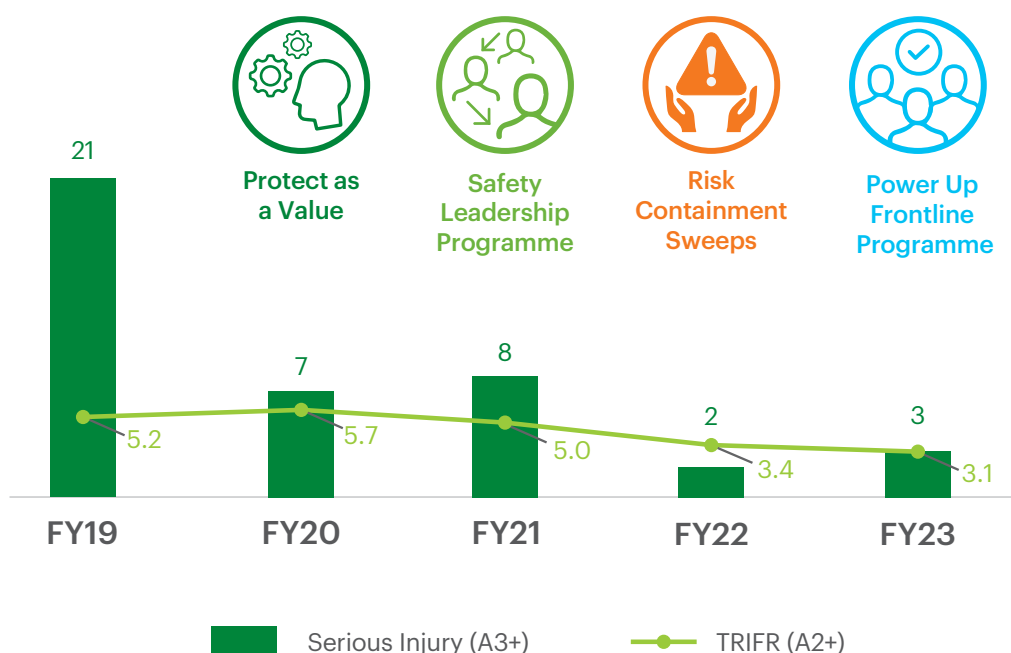
reduction  
in serious injuries  
since FY19

This means

**18**

more people sent home  
serious injury free this  
year compared to FY19

### Our Protect strategy is having an impact





SAFETY



CAPABLE & HIGHLY  
ENGAGED PEOPLE

Norman York, Easysteel – Northern Distribution Manager

## Passionate about frontline safety

Northern Distribution Manager at Easysteel, Norman York, oversees the day-to-day operations and safety practices for 47 people at Penrose sites in Auckland where his energy for delivering exceptional safety is legendary. In May 2023, Norm was awarded the Protect Individual Achievement award at Fletcher Building's biennial Excellence Awards.

# 2.29

Total Recordable Injury  
Frequency Rate (TRIFR)  
at Fletcher Steel

# 480

Power Up training  
sessions in Steel in  
FY23



Video: Living the  
Values - Protect



Widely regarded by his team as a 'safety leader champion' with great respect, Norm has been quick to understand the opportunity for personal growth and development to all people regardless of their role or job site through our Protect safety programme.

Following his own transformative experience as a member of one of the very first Safety Leadership Programme cohorts, Norm jumped at the chance to use his own expertise and insight to tailor the frontline programme, as the new Power Up safety training programme for site-based people took shape. Made up of 15 bite-sized activities, Power Up is delivered in 30-minute sessions that can be easily inserted into existing toolbox talks or team meetings, common to frontline teams who are heavily shift-led. During the past year, Power Up modules have been the subject of 25,000+ of training hours across the Group, and in Steel business units alone, 54 teams, across 27 sites have participated in 480 Power Up sessions.

As Easysteel is organised into a number of shifts and separate operational teams, Norm opted to break the mould, bringing several groups together for Power Up, to maximise the chance to grow a Protect culture onsite based on shared values.

"Protect is a culture. It's a culture that we live and breathe on our site, it's not just a value that we put on the wall. Before, when I thought of the word 'protect', I thought of shield or armour keeping somebody safe. Now when I hear the word 'protect', I think development and encouragement. To now see people embracing development through Power Up and pushing themselves, it's amazing to see. It's really rewarding for the team" he said.

“ Protect is a culture. It's a culture that we live and breathe on our site, it's not just a value that we put on the wall ”

Norman York, Easysteel – Northern  
Distribution Manager.

Importantly, more Steel people are returning home safely every day, and the new goal is to consider what may lie 'beyond zero injuries', meaning how we can enrich our people's working lives further to return them home in better shape mentally and physically than how they came to us.

In the past twelve months, Norm and his team have built on this momentum of care to champion a range of supporting causes that promote a more positive protective working environment. Wellness initiatives like 'the Biggest Loser' team-based healthy eating and exercise programme and Speak Up safety programme to empower people to find their voice and call out anything that they are worried about at work, are having a real impact. In Norm's team employee engagement scores have been consistently high over the past years with an employee Net Promoter Score (eNPS) of 39 in FY23.

"For me, the beauty that I see through our Protect programme is our people want to develop and grow", said Norm.



Norman York and his team at Easysteel catch-up on important Protect safety updates.

We believe all injuries are **preventable**



We never walk past – we speak up and take **action**



We **celebrate** the good stuff



We **care** for each other





SUSTAINABILITY



INNOVATION  
& GROWTH



CUSTOMER

# Lower carbon cement and concrete solutions

for customers to use at scale everyday

**27%**

**less embodied carbon**

in EcoSure® than the ISC baseline using 46% alternative fuels

**Firth® take EcoSure® cement and make EcoMix®, at scale**

**85%**

**of their concrete is lower carbon**

**~100,000**

**tonnes**

**of waste diverted from landfill**



Fletcher Building's Concrete division is leading the way in decarbonising cement and concrete in New Zealand. Inspired to help customers 'build a better future', the division has made impressive progress in developing a comprehensive and highly competitive range of more sustainable products and solutions to meet growing demand.

Their decarbonisation success has stemmed from taking a customer-centric, holistic view to innovating, and by embracing the challenge to make it easy for customers to meet their own sustainability goals.

The key to achieving this is focusing on understanding the end-consumer goals, and meeting customers' needs for more sustainable, lower carbon solutions that don't add complexity to the build. At the same time the division has taken a comprehensive look across all business units, reviewing its own operations from supply chain through to product, and making some changes all to deliver the lowest carbon products on the market. This has included using renewable energy sources, recycled water, reducing carbon in their supply chain through moving freight from roads to sea, along with the introduction of electric vehicles including the country's first electric concrete mixer and an electric 90-tonne dump truck at Winstone Aggregates®.

Another step on this carbon reduction journey was the launch of EcoSure® cement, which, produced by Golden Bay®, is the lowest carbon general purpose 'GP' cement in the New Zealand market.

"The development of EcoSure® represents an example of creating a sustainable circular economy - make, use, reuse and recycle," says Nick Traber, Chief Executive Concrete.

This has been achieved by replacing a significant proportion of coal with alternative fuels such as used tyres and construction waste in the

manufacturing process, as well as using the latest binder technology.

In FY23, Golden Bay® diverted close to 100,000 tonnes of waste from landfill by coprocessing end-of-life tyres, construction waste and pond ash.

Golden Bay® also introduced EcoZero®, New Zealand's first carbon neutral cement, made with EcoSure®, the remaining carbon is offset through quality third-party verified carbon credits sourced and cancelled by Toitū Envirocare.

EcoSure® is also being used by Firth® to make EcoMix®, meaning the company is now able to offer a lower carbon concrete at scale across New Zealand. The aim is to make it easy for customers to achieve their lower carbon construction goals with a 10-20% reduction in every batch of EcoMix® compared to the Infrastructure Sustainability Council (ISC) baseline.

The innovation doesn't stop there. Golden Bay® has also partnered with Genesis Energy to address the issue of bottom ash waste product at Huntly Power Station. This waste stream that was previously taken to landfill, is now being incorporated as material into the cement, effectively upcycling waste as an ingredient.

"Contributing to waste reduction at a large scale for the benefit of all New Zealanders is incredibly rewarding. It is a win-win for the environment and for Kiwis who want to use more environmentally friendly products," says Gian Raffainer, Golden Bay®'s General Manager.

“Contributing to waste reduction at a large scale for the benefit of all New Zealanders is incredibly rewarding. It is a win-win for the environment and for Kiwis who want to use more environmentally friendly products,”

Gian Raffainer, General Manager Golden Bay®.

We are prioritising cement decarbonisation. Our carbon emissions per tonne of cement are 27% below the ISC 2020 baseline.

The Concrete division opened New Zealand's first commercial Concrete Innovation Lab in Christchurch this year.

“Our Concrete Innovation Lab provides an environment for our team to be bold and creative so we can bring new products to the market more quickly than ever before. In short, it represents an opportunity to continue to solve real-world challenges for our customers and communities while improving the world around us,” explains Nick.

Georgia Izzett of Golden Bay®.



CUSTOMER



INNOVATION  
& GROWTH



OPERATIONAL &  
FINANCIAL PERFORMANCE

# Customer-centric digital solutions

## making it even easier to do business with Laminex® Australia

Laminex® Australia credits its 'customer-first' approach and a mantra to always be 'easy to do business with' for the impressive online growth of its laminex.com.au channel, Design Hub tools and Trade Hub mobile app.

# 36%

Laminex® Australia  
sales online

In just four years, the development of an e-commerce platform has resulted in Laminex® growing to become a highly digital business in the Group, with its online sales already representing 36% of total Laminex® sales and a new way of doing business.

As a leading supplier of high-quality laminates and surface materials, Laminex® pins its e-commerce performance on designing experiences based on customer feedback and data insights around the moments that matter for its customers.

Customers were invited to participate in the design for the online tools. 856 people provided detailed feedback on their 'must-haves' to enhance their online experience. Order status updates, delivery notifications and the ability to edit orders themselves came out as most important and, as such, became the priorities for improvement. Further, when compared with call centre enquiry data and our Net Promoter Score (NPS) tracking, we could see these were the most common topics for discussion.

Laminex® Australia's Head of Customer Experience and Digital Transformation, Amber McDougall, explains, that the business has a history of innovating and so it has aligned customer experience, with digital transformation to accelerate improvements for customers.

"We are committed to designing and co-creating market leading experiences with our customer communities to make it easier to do business with Laminex®. We have developed a range of digital solutions, including a new Trade Hub mobile app that enables busy tradies to place quick orders on the go, a Specifier Design Hub that helps architects and designers to manage their many projects and samples, and we have many new features being developed and implemented by the expertise of our agile digital team."

The team also registered that customer behaviours were moving towards an omni-channel approach, meaning that individual customers now prefer to use a combination of showroom and online methods to engage with their product ranges. This led the team to check that interactions are unified across all channels, including customer operations, mobile app, webchat and e-commerce. The team researched market leading innovation opportunities and implemented sales order automation in customer operations utilising a robotic process automation solution. Pivotal to these developments is a customer panel that trials the new ideas.

New digital solutions are achieving a strong uptake with 46% of Laminex® customers now transacting on digital channels every month," says Amber.

"What's more, thanks to being able to easily monitor our customers' spend, we know they are ordering more products through our digital channels than they were before. And best of all, they have started calling us with suggestions for what they want us to focus on next, which truly is the best form of customer engagement, evidenced by great improvements in our NPS," says Amber.

# 46%

of customers transacting  
online monthly

# 49 NPS

for customer online  
experience

“ It is about bringing the wow factor, that comes from deeply understanding our customers’ needs and daily challenges. They tell us that they feel in control and they love the speed of placing a quick order as it is locked into our product ordering system.”

Amber McDougall, Head of Customer Experience and Digital Transformation at Laminex® Australia.



New online Laminex® tools making it much easier for customers to browse, design, select and manage their orders.



INNOVATION  
& GROWTH

# Driving sustainable business growth

Over several years we have been deliberate in establishing a solid base on which we can drive growth in the medium term. This has been achieved through a sustained focus on optimising our operating discipline performance, while also maximising sensible growth opportunities where we see value for our customers and the communities we serve.

**\$800m+**

Investment programme

**≥15%**

ROFE

**\$120m+**

full run-rate EBIT growth

The focus for the Group has been to identify attractive opportunities that are both sustainable and scalable; that will allow us to reach the number one or number two market position; and generate a sustainable competitive advantage through the application of innovative best practice.

Through this lens we have invested in both new acquisitions and sensible organic growth opportunities. Our committed growth investment now sits at over \$800 million between FY23 and FY26.

Joining the Group in June 2023, Waipapa Pine Limited in Northland, New Zealand is a well-run operation specialising in industrial and structural grades of sawn timber and includes a renewable fuels business, Renewable Wood Fuels. Geographically advantaged with a sawmill in Kerikeri and treatment plant in Whangarei, Waipapa is highly valued by customers from the Far North down to as far south as Hamilton in the Waikato and has good potential for production capacity expansion, initially by 15%, and then doubling output within the next three years. The benefit of this flex is our ability to distribute any demand outside current customer requirements through our PlaceMakers® network.

Further south, servicing the East Coast and Lower North Island, the acquisition of Tumu® completed in FY23 expanded our New Zealand Distribution division with six building supply centres and a frame & truss operation. This strengthens our foothold in a strategically valuable region where we have previously been underrepresented by our PlaceMakers® brand. Continuing to operate as Tumu®,

the transition has been a win-win for customers and the community Tumu® so proudly supports.

Our organic growth programme sees us investing in our existing operations, through identification of disruption opportunities in the value chain. At Comfortech®, we are expanding the current Pink® Batts® manufacturing site to triple production capacity by 2027. This is a direct response to the opportunity presented by changes to the New Zealand Building Code requiring increased thermal performance in homes. Later this year, Winstone Wallboards® will vacate the Felix Street facility in Auckland. The facility will be repurposed as a new, highly automated PlaceMakers® frame & truss operation, with increased production by 2026.

Our current Laminex® site in Taupō is expanding its base to include a \$270 million new wood panels plant to expand its product offering. Together with the Waipapa acquisition, these investments represent a significant move into Wood Products for the Group. It is a sector that fits with strong customer preference trends in our markets and that supports New Zealand's broader sustainability goals through greater use of renewable resources.

In Auckland, Winstone Aggregates® has fast-tracked plans to extend its circular and recycling solutions for customers through the acquisition of The Urban Quarry®. With sites located in the west and south of the city, it provides aggregate supply for city-based construction sites while collecting construction and demolition waste.



Waipapa Pine Limited,  
Kerikeri, Northland.

“ We like the isolation and smaller relative scale of the New Zealand and Australian markets. This allows for local players to be competitive against importers and to be leaders on disruptive innovation. ”

Ross Taylor, CEO



Vernicia Kelleher at Waipapa Pine Limited in the Far North of New Zealand. Specialising in industrial and structural grades of sawn timber, the plant provides sustainable wood products, popular for modern building.



INNOVATION  
& GROWTH

# Winstone Wallboards® \$400m new GIB® plant



Three and half years ago, Winstone Wallboards® made a commitment to invest \$400 million to build a state-of-the art plasterboard manufacturing and distribution facility in the heart of the North Island, Tauranga.

Due to be fully commissioned by the end of October 2023, the new technologically advanced, highly automated, safer, and more sustainable, Winstone Wallboards® manufacturing and distribution facility will support New Zealand's building sector with an immediate increase in capacity of the popular GIB® plasterboard range. The well-considered design and layout of the plant also promises opportunities for future expansion, if required, in years to come.

In the meantime, the increased capacity will allow the Winstone Wallboards® team to innovate and bring new products to market.

## 45,000

tonnes

of gypsum (raw material) storage capacity

### A family affair

The construction of the new plant showcases the breadth of Fletcher Building's ability to operate across the building and construction value chain with 14 of our businesses directly involved in delivering the project alongside other local businesses.

PlaceMakers

Fletcher



easysteel

mico

HUMES

HIGGINS



Fletcher  
Reinforcing

WINSTONE  
AGGREGATES

Laminex  
New Zealand

Diamond Roofing

Golden Bay

Pacific  
COLLOCATORS

## 12.8

hectares  
of land



**50%**

more capacity  
on the plasterboard  
line than the previous  
manufacturing plant



**67,000**

m<sup>2</sup> of buildings  
occupying approximately 50%  
of the overall site





INNOVATION  
& GROWTH



SUSTAINABILITY

Winstone Wallboards® \$400m new GIB® plant  
(continued)

**4,000**  
tonnes of structural steel



## Improved sustainability

Designing in sustainability was part of Fletcher Building's decision to invest in the new Tauriko plant from the start. The new plant is more energy efficient, and reduces carbon emissions per square metre of plasterboard, supporting Fletcher Building's carbon reduction target of a 30% reduction in carbon emission by 2030. There will also be onsite recycling and reuse of process wastewater plus innovative technology is providing the capability for waste plasterboard recycling.

“ Building from the ground up and applying smart thinking has seen us future-proof plasterboard manufacturing in New Zealand. Our products will be more sustainable, and through driving the growth of Winstone Wallboards® we will have a meaningful impact on the regional economy and create positive opportunities for the community. ”

Hamish McBeath, Chief Executive Building Products.

## Environmental improvements

- 13% reduction in CO<sub>2</sub>e emissions per square metre compared with the Auckland plant.
- Upward of 10% of total board volume can use recycled gypsum.
- Zero manufacturing trade waste.
- Highly energy efficient LED lighting and smart controls panels.
- Extra Low Energy Dryer - 15% more efficient than Auckland plants dryer.
- Energy monitoring and reporting system to monitor and maintain energy efficiency.
- Heat recovery systems linking multiple processes to improve energy efficiency.
- Single site reduces truck movement between warehouse facilities.
- Plant future-proofed to hold solar panels and switch to alternative energy sources.



**30,000**

**m³ concrete**

foundations, slabs and yard areas



## Part of the community

Winstone Wallboards® knew that moving to a new region came with responsibilities to the local community. Engaging with their new neighbours has been a priority throughout the construction of the plant.

They connected early with local hapū, Ngai Tamarawaho and Ngāti Hangarau, to understand what their aspirations were. The local school, Taumata School, took on the role of kaitiaki (guardian) of the site's whenua while construction was underway and the team worked closely with local employment agencies, including Priority One and Māori training provider Solomon Group to find local talent to join the team.

The new plant will bring significant benefit to the region, both through employment and through the take up of ancillary services needed to support a plant of this scale – such as cleaning companies right through to engineering, maintenance and logistics companies.

## Building a new local team

- 97 employees.
- 70% of employees have been employed from the Bay of Plenty area.
- 30% of employees relocated from Auckland to Tauranga.
- 30% of new hires at GIB® Tauriko are female.
- 7,000 training hours deployed since January 2023.





INNOVATION  
& GROWTH



CAPABLE & HIGHLY  
ENGAGED PEOPLE



## Leading a New Zealand manufacturing generational project

Stewart Vaughan has walked every step of the five and a half year journey to design and build Winstone Wallboards®' new plant. He's also quite possibly walked every inch of the expansive 67,000 sqm set of buildings!

As project lead, Stewart steered the project from feasibility study, design, consenting, business case, land acquisition, procurement, plant construction oversight through to the installation and commissioning of the manufacturing plant.

Following Board approval in December 2019, the project quickly took shape. Four months later COVID-19 hit along with disruptions to global procurement, shipping and ongoing supply chain challenges. Fast-forward three years, the project is completing on-time and on-budget with the plant set to be fully commissioned by the end of October 2023.

"To lead a greenfield project of this size and scale and be part of a team delivering an iconic New Zealand manufacturing legacy for the next 50 years has been the opportunity of a lifetime," says Stewart. "Getting through to the commissioning of the plant and manufacturing that first piece of plasterboard has been cause for huge celebration and relief."

"Aside from dealing with the impacts of COVID-19, the biggest complexity by far has been the onsite building construction works' interface with plant and equipment installation. These were two huge projects in themselves, inter-meshed with each other and led exceptionally well by my Capital Works Manager Nick Stenson," Stewart says.

Developing strong community partnerships and relationships has been pivotal to the project's success, and Stewart is particularly proud of the enduring relationship forged with local iwi and hapū, Ngai Tamarawaho and Ngati Hangarau.

"At our first meeting, Winstone Wallboards®, General Manager, David Thomas and I stood alongside mana whenua representatives on a hill right in the middle of where the site is

"All the passionate people we've worked with along the way have come to understand that Winstone Wallboards® is more than just a manufacturing and distribution business. We want to have a real, positive impact on this community."

Stewart Vaughan, Project Lead – Winstone Wallboards® Tauriko build.

now and genuinely committed to delivering a positive impact for the community," Stewart says.

"Throughout the project we worked with so many passionate people and it gives me great satisfaction that this has allowed us to show them Winstone Wallboards® is more than just a new local business. We are in fact part of the community and committed to doing our best to support it now and in the future."

Stewart praises the commitment of his project team who in most cases uprooted their lives to move to Tauranga to help deliver the facility as well as the support and governance provided by the Winstone Wallboards® senior management team, in particular David Thomas and Simon Cooper.

"A project of this scale takes a village," he says. "No one person can deliver a project of this size and scale alone. It's about involving the right people, with the right passion, and giving them the autonomy to do their jobs and as leader, having intimate knowledge across all parts of the project to be able to guide and support them."

He says it's with satisfaction, not sadness, the project is coming to a close.

"The new plant is a legacy that will take Winstone Wallboards® and New Zealand into the future. Not only that, but it will enrich the region by creating wealth, economic benefits, exciting job opportunities and a strong sense of community."

# Sustainability

Winstone Aggregates® Head of Sustainability, Ian Wallace (front) and Mary-Jane Vavetuki, testing water near the Pukekawa Quarry. The team are at the centre of developing a new biodiversity strategy for the Concrete division, which will start in FY24.



SUSTAINABILITY

## Leading in sustainability

We have a genuine commitment to making a positive impact environmentally and socially. With our purpose, 'Improving the world around us through smart thinking, simply delivered' in mind, we have set ourselves some ambitious goals to make a difference.

# 16%

reduction in carbon emissions since FY18

# A-

CDP 'Leadership' level for management of Greenhouse Gas (GHG) emissions

# 46%

Coal substitution with lower emission alternatives

We engaged with suppliers covering

# 65%

of our Scope 3 emissions to encourage them to reduce their emissions

Fletcher Building Limited  
Building Products

**Sustainability  
Yearbook Member**  
S&P Global



Within our overarching sustainability strategy, we have set long-term goals to work toward a net positive environmental impact, lead the way in offering sustainable products and building solutions, and will continue our efforts to reduce waste as part of committing to a circular economy approach across our business. We are also focused on nurturing a safe, diverse and inclusive workplace and putting our community at the heart of everything we do.

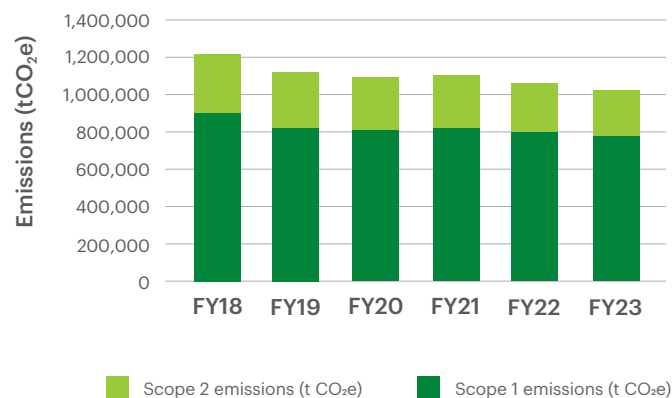
You can read about how we have lifted our safety performance in the 'Zero injuries, every day' section of this report, and find more detail about our people initiatives and some of the community initiatives the Fletcher Building businesses have been involved in over the past year in the 'Our People' and 'Our Communities' sections.

### Net positive environmental impact

We understand that that our business activities can have impacts on the environment. While we expect this will always be the case to some extent, our long-term goal is for the balance to be positive. This means we are putting significant effort into actions that can create meaningful change.

We have set targets and we are progressing against the goals in our sustainability strategy, with a particular focus on mitigating climate change by reducing our greenhouse gas emissions<sup>(1)</sup>.

### Scope 1 and 2 carbon emissions



Scope 3 emissions for FY23 were 1.45 Mt CO<sub>2</sub>e

Our combined Scope 1 and 2 emissions in FY23 were 1.021 Mt CO<sub>2</sub>e, which is 4% lower than FY22 and a reduction of 16% from our FY18 baseline year. This puts us well underway to achieving our Science-based Target of 30% reduction by 2030 and moves us toward our long-term goal of net zero emissions by 2050.

<sup>(1)</sup> Refer to page 80 for further details on the Greenhouse Gas (GHG) emissions calculation.



Tyler Sharratt from the Winstone Aggregates® Environmental Team at Pukekawa Quarry.

We have a carbon reduction roadmap in place across our businesses, which we use to identify the areas we can achieve the most significant reductions. For us, this involves focusing on our major sources; our cement operations at Golden Bay®, electricity used in our Australian businesses, and fuel used as part of our construction operations in New Zealand. We made solid progress in all these areas in FY23.

- At Golden Bay®, we have reduced our reliance on fossil fuels, substituting 46% of the energy demand from coal with waste wood and waste end-of-life tyres in FY23. This emissions reduction is part of how we've been able to produce EcoSure®, our lower carbon cement. Carbon emissions from Golden Bay® reduced by 17,000 t CO<sub>2</sub>e from FY22 to FY23.
- In Australia, we have an established plan to move toward greener electricity across our operations. This includes purchasing a proportion of offsite renewable energy for our Australian operations, and in FY23 we started installation of rooftop solar systems on three of our larger facilities in Victoria and Queensland. These actions, together with increasing renewable content of grid electricity in Australia, reduced emissions by over 15,000 t CO<sub>2</sub>e from FY22 to FY23. In FY24 we will continue to review renewable energy and energy efficiency options for our Australian businesses.
- In our Construction operations, the most significant action we can take to reduce direct emissions is to reduce fuel emissions through low emission vehicles. We are well underway, with 18% hybrid vehicles in our Construction fleet of cars and utility vehicles. In FY24, we'll also be using low emission options within our heavy vehicle fleet - our team at Brian Perry Civil® is planning our first zero emission construction crew, with an electric excavator, tipper and wheel loader. We will be trialling electric equipment in our Concrete division as well, with our first electric dumper in our quarry business, Winstone Aggregates®, and an electric concrete mixer in Firth®.

We recognise that for our Construction operations, what we build and the energy used during operation can be more significant than our direct emissions during the construction process. We talk about what we are doing to produce lower carbon building products, and buildings, in the next section of this report.

Working with our supply chain to support reduction in their emissions is another significant action we can take and is critical to our long-term goal of reaching net zero emissions.

To reduce our Scope 3 emissions, we are working directly with the highest emitters in our supply chain to quantify the emissions associated with the products and services they provide us, and to understand their reduction pathways. We are starting with the most significant suppliers who provide us with steel products, logistics and transport services, representing an estimated 57% of our Scope 3 emissions.

In addition to direct engagement with our highest emitters, we provide free access to Carbon Disclosure Project (CDP) supplier engagement programme for 40 suppliers, who represent a further 8% of our emissions, to report and reduce their own emissions.

In FY23, our Scope 3 (supply chain) emissions were 1.450 Mt CO<sub>2</sub>e, an increase from FY22. This increase reflects improved information we have gained because of engaging directly with our supply chain. We were proud to be recognised for our supplier engagement by the CDP in FY23 with an 'A-' rating for our supplier engagement on carbon reduction.

As we progress toward net zero carbon, we'll continue to work with the Science-based Targets initiative and with the Global Cement and Concrete Association's net zero workstream to understand what the pathway to net zero looks like for us. We know that a range of solutions will be needed to fully decarbonise our operations, and some of these solutions don't exist at present. We will track innovation and progress in our industry, while remaining firmly focused on what we know that we can do now.

Beyond carbon reduction, in FY23 we began working with Nature Positive on biodiversity commitments we can make within our quarry operations, and we will implement this work in FY24.



## SUSTAINABILITY



In our Residential and Development division, the Low Carbon home (LowCO) pilot is now underway with the build at Waiata Shores, South Auckland. In May 23 the LowCO Home project team won the Fletcher Building Excellence Awards Better Together: Exceptional Business Collaboration award.



**Website:** scan for more information on the LowCO home, and a video in timelapse

# 71%

Product revenue from sustainably certified products



### Leading the way in sustainable products and solutions

We believe the future of our sector relies on using and developing more sustainable building products and solutions. We are proud of the progress we have made in FY23.

Our product revenue from sustainably certified products has increased approximately 20% over the past three years to 71% in FY23, well on the way to our goal of 75% by FY26. When we refer to 'sustainably certified' products, we mean products made or sold by our manufacturing businesses that hold a credible, third party verified, sustainability certification, that is recognised in green building and sustainable infrastructure ratings.

We focus on changing our own products, and also on working with our supply chain.

In FY23 we recertified several products from our Iplex® Australia pipe range, and updated the Environmental Product Declaration for our cement, now known as EcoSure®, with information demonstrating its lower embodied carbon content. We also worked with suppliers to encourage certification of their products where we on-sell those in our product ranges, and pleasingly our major steel suppliers increased the number of certifications they held this year.

As well as sustainably certified products, our goal is to provide lower carbon and more sustainable building solutions into the market. We began construction on our LowCO pilots in FY23 with a freestanding 3-bedroom family home and three 3-bedroom terrace homes being built in Auckland. LowCO is designed to use seven times less carbon than

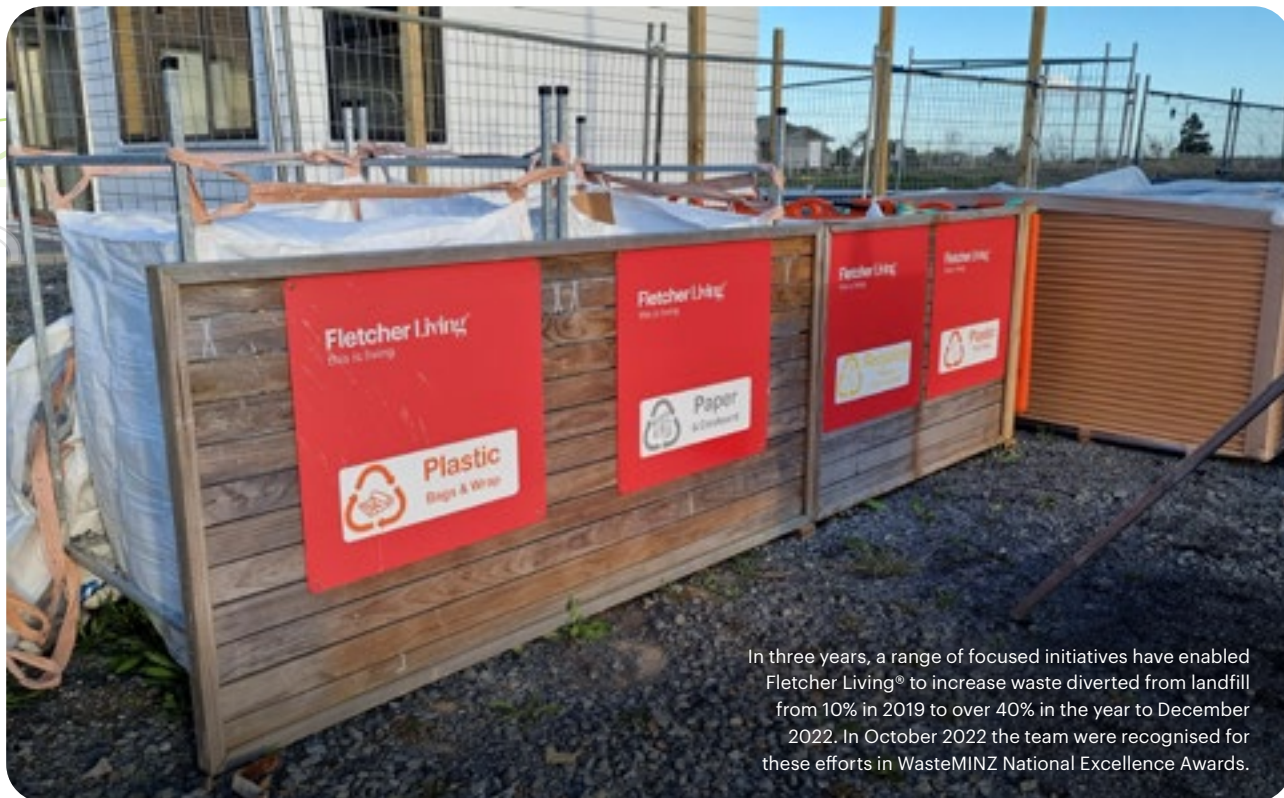
the equivalent standard-built home over its lifetime. The benefits extend into water and energy efficiency, meaning it is warmer, drier and cheaper to operate.

LowCO has been designed as a smart home. Building performance will be measured to help the occupants to understand and optimise the benefits of their new home, and to improve our design.

LowCO is an industry leading sustainable housing offer and has already opened up a number of new product offerings and opportunities for us to partner with likeminded industry partners. In FY24, we will integrate key energy efficiency and low embodied carbon learnings from LowCO into our standard build.

Beyond our direct impacts and building solutions, we want to drive positive change in our industry. We are active members of industry associations who focus on more sustainable products and building solutions, including the New Zealand Green Building Council, the Infrastructure Sustainability Council, and the Global Cement and Concrete Association.

To help our customers understand and use more sustainable products, we help customers choose lower carbon options for cement and concrete by providing our Firth carbon calculator, we published our 'Understanding Environmental Product Declarations' explainer in FY23, and we are working with partners to create an Environmental Product Declaration library for New Zealand.



In three years, a range of focused initiatives have enabled Fletcher Living® to increase waste diverted from landfill from 10% in 2019 to over 40% in the year to December 2022. In October 2022 the team were recognised for these efforts in WasteMINZ National Excellence Awards.

# 60%

Waste diverted from landfill

## Circular economy commitment across our business

Our commitment to the circular economy is a core part of our sustainability strategy, and one as a portfolio of businesses across the value chain, we are in a unique position to lead the way on.

To drive this commitment, we are collaborating across all our operations to find opportunities to reduce or reuse waste and we are also opening doors to work with other businesses who have a common goal to drive positive environmental change through the circular economy.

We are already making good progress. In FY23 we achieved 60% diversion of waste from landfill, an improvement from 51% in FY22.

We have product stewardship schemes in place for plasterboard in New Zealand, and our Tauriko plant will expand our ability to include recycled content into new plasterboard. Our 'Pipeback' consumer take-back programme has been running for over a year for a range of pipe products and fittings in Australia. In FY24 we will be expanding this in New Zealand with a trial of collection stations on customer sites to enable off-cuts of PVC and PE to be returned to our production site for re-processing into new pipe.

We were proud to receive a WasteMINZ National Excellence Award for Fletcher Living in FY23 which recognised our outstanding contribution to minimising waste to landfill generated in the construction of homes. Fletcher Living® addresses one of the main waste streams

from housing construction by implementing segregation of plasterboard at all house building sites in Auckland, enabling the gypsum in plasterboard to be recovered and reused. Fletcher Living also began collecting hard to recycle soft plastics which will be made into SaveBOARD, a 100% recyclable alternative to plywood. These initiatives add to the waste reduction from the one in six homes delivered to Fletcher Living® by Clever Core®, in which the approach of designing out waste produces much less waste per home than a traditional build.

Teaming up with other businesses to grow the circular economy is essential and rewarding. We are pleased to help others find new ways to reduce waste by using their waste as a raw material. As an example, our partnership with Genesis will see 20,000 tonnes of pond ash from Huntly Power station diverted from landfill and used in our cement manufacturing process at Golden Bay®.

Business collaboration and a commitment to circular economy solutions is supported by acquisition of The Urban Quarry®. The Urban Quarry® caters specifically for the needs of urban development, providing a dual service hub of aggregate supply for city-based construction sites, and collection of construction and demolition waste. It will provide the platform to capture sufficient waste quantities at a central point to enable recycling on an efficient scale and will accelerate access to expanded circular economy and recycling solutions for our customers.

# Digging in for our communities

Our businesses are encouraged to 'act local' to support the communities they work in. These contributions take many forms, big and small financial contributions, national and grassroots sponsorships, volunteering and product donations. The commonality is to make a positive difference to the lives of others.

Below is a snapshot of some of the contributions Fletcher Building businesses made throughout the last year.



**\$105,000**

Habitat for Humanity donation

Comfortech® (plus team built 12 new beds for Northland families)

**15 Volunteers**

Ashburton River Clean up  
Iplex® New Zealand

**\$40,000**

Mens Shed Donation  
Stramit®

**\$250,000**

Red Cross donation  
Hawkes Bay Recovery

**Pipes donated**

JCU Caraplace Turtle Research  
Iplex® Australia

**\$160,000**

Clubhouse Rescue  
PlaceMakers®

**\$25,000**

New Zealand Asthma and Respiratory Foundation annual donation  
Comfortech®



**\$107,167**

Southern Scooter Challenge for Hospice Southland and The Charity Hospital  
PlaceMakers®



**\$32,815**

Make a Wish Fundraiser  
Mico®

**\$25,000**

Wish4Fish Charity  
Winstone Wallboards®

**\$36,615**

Mates in Construction partnership  
PlaceMakers®

**\$2,500**

product donated to Awapuni Primary School bike park - Gisborne  
Firth®

**\$20,000**

Portland School  
Sponsorship  
Golden Bay®

**\$80,000**

WaterAid Australia  
partnership  
Iplex® Australia

**\$10,000**

Westpac Rescue  
Helicopter  
Pacific Coilcoaters

**\$30,000**

GIB® donated to  
help build Heart  
Foundation Lottery  
homes  
Winstone Wallboards®



**GIB® plasterboard  
donated**

to support 20 degrees project  
repair homes and make them  
healthier & warmer  
Bay of Plenty

**\$7,500**

Central Northland  
Science and Tech  
fair Sponsorship  
Golden Bay®

**\$1,500**

Concrete for  
Gisborne's  
Children's Hospital  
Firth®

**\$1,500**

Fielding  
Grassroots and  
Youth Rugby  
Firth®



**\$41,000**

Oke School Garden  
sponsorship and working bee  
at Mangapikopiko School &  
Oranga School  
Fletcher Living®

**Concrete offcut  
planter boxes donated**

to Hamilton kindergartens,  
schools, and community groups  
Humes®



**\$50,000**

product donated to House for Karen  
Cancer Retreat, Taranaki and Sanctuary  
Mountain Ecological Park, South Waikato  
Pacific Coilcoaters

**\$1,900 donated  
plus volunteer time**

Sustainable Coastlines clean  
up event at Avon Ōtākaro River  
Fletcher Living®

# People





Members of the Pride Group, Eric Yu (left) and Charlie Gray (second from right), working on new initiatives. The group have led policies to increase workplace inclusivity, such as new Transitioning at Work Guidelines and related Gender Affirmation Leave.



CAPABLE & HIGHLY  
ENGAGED PEOPLE

# Our People

We want Fletcher Building to be a place where everyone truly feels they belong. The foundation for this is a strong culture which celebrates our diversity while bringing us together as teams. This kind of inclusivity supports our people develop and grow great careers.

We believe delivering an exceptional experience for the talented people working for us is fundamental to our ability to deliver excellence for our customers and communities.

## Connecting with our people

Measuring how our people think and feel about their experience of working at Fletcher Building is important to understanding our ability to enhance their experience.

In 2023 we changed our employee engagement methodology to the employee Net Promoter Score (eNPS). In 2023 our eNPS score was 26. To put this in context this result is at the median for global organisations and approximately three points higher than our 2022 result. Organisations in the global top quartile score 40 or above.

A key driver of people engagement across our business is recognising their contribution to our collective success. In 2023 we celebrated the return of the Fletcher Building Excellence Awards, our groupwide awards programme centred on recognising high performing teams and individuals. We received more than 200 high quality nominations, each sharing impressive business outcomes and customer impact, all while demonstrating the power of our organisational values. Thirty-three finalists were celebrated for their contribution to Fletcher Building at a very special night in Auckland.

## Driving inclusion

We understand that creating space for our people to live authentically and be themselves at work is vital to support them to do their best work. It is for this reason, and as a proud Rainbow Tick accredited organisation, we have implemented a number of small changes that can make a big difference to a feeling of belonging.

We are pleased that 253 parents in the past year accessed our gender-neutral parental leave policy. These parents say they are delighted to know they can provide a great start for their children through the improved financial benefit and having greater return to work flexibility.

While we have focused on improving our pay parity position over the last three years and made good progress, some of our previous gains have been eroded. This was mainly due to the tight labour market and rising wages in an already male dominated industry, increasing our pay parity gap from 3.5% in FY22 to 4.2%. We will undertake a comprehensive review of our practices in FY24 and introduce enhancements to close the gap.

Led by our Pride employee action group, Gender Affirmation Leave and Transitioning at Work Guidelines were introduced in recognition that gender transitioning can mean different things to different people and included our Pride and Rainbow Commitment into new employee inductions.

“Coming out at work is daunting and scary, there can be a lot of mental anxiety; like wondering if the people you’re working with will accept you when they hear that you’re transitioning, wondering if and how your working life may change. Having helpful information out there is really valuable for both sides of a workplace transition.”

Jacob Hassan, Customer Service Dimond Roofing, Wellington.

## Growing and recognising talent

We believe Fletcher Building is a place where our people can grow their career and develop personally and professionally. To be true to that belief, in FY23, we invested over \$6.8 million and 195,000+ hours in dedicated learning and development with a specific focus on key areas aligned with our overall purpose and strategy. These include nurturing high-quality leadership, fostering our culture of safety excellence and enhancing operational capabilities in areas such as customer experience, pricing and sales. In addition to this we continue to invest in our people’s ongoing recurrency and compliance training to ensure they stay safe on the job.

The investment in our award-winning<sup>1</sup> Protect Safety Leadership Programme has developed more than 3,000 fully-fledged safety leaders. These leaders are now successfully passing on their knowledge and experience by introducing their own teams to the power of safety leadership through our frontline safety programme. This programme, Power Up, has been the recipient of more than 25,000 of training hours across the Group in the past 12 months, supporting a collaborative workforce of safety-passionate people who have achieved our best ever safety performance.

<sup>1</sup> Safety Leadership Programme winner of Best Leadership Development Programme at the New Zealand Association for Training and Development Awards 2022.

Sustainability Manager, Jamie Rodriguez, and team at Laminex® New Zealand distribution centre.

26

eNPS

Employee Net Promoter Score

195,000

training hours

undertaken

253

people accessed

enhanced parental  
leave policy in FY23

Transitioning  
at Work

guidelines and Gender  
Affirmation leave introduced



Video:  
Excellence  
Awards

In addition to employee training opportunities and on-the-job development, the Fletcher Building Employee Education Fund (EEF) offers a range of benefits and support. In FY23, 173 employees accessed support for study, and close to 400 families received extra tuition offered by the fund. Additionally, 127 children participated in highly regarded development opportunities for young people run by Outward Bound, the YMCA and Artz on Show.

Fletcher Building has a strong history of growing great leaders inhouse and in 2023 we re-designed our programme to develop mid-level

leaders to enable a greater emphasis on innovation for growth, and to foster better inclusion and diversity in our teams. 73 established leaders participated in Gear Up this year. Delivered through a mix of live events, self-paced learning, coaching and small group work, the programme focuses on helping create a culture of innovation, experimentation and continuous improvement. The programme will also drive performance in challenging environments, build leadership bench strength, as well as support skills to deliver change programmes and improve adaptability and resilience in the business.

### Encouraging female leaders

Increasing the presence and impact of women in our operations continues to be a focus area. During the past 12 months, 296 more women have been placed in operational roles across our businesses. Typically, women have been less well represented in our male-dominated industry. We believe that to grow a healthier, more diverse industry we have a responsibility to encourage women to take up a rewarding career within the industry. We have set an ambitious target to have 30% of women in leadership by FY27. Our businesses have each committed to their own action plans to achieve this goal, which features a mix of development opportunities, flexible working conditions, cadet programmes, mentoring and recruitment strategies.

More women are taking on operational leadership roles across Fletcher Building. This year we have 36 more women leading operational teams, this means 15.7% of our operational leaders are now female, up from 14.4% in FY22. Women across Fletcher Building are benefiting from programmes designed to build their leadership confidence and skills. In the past 12 months, 90 women took part in leadership mentoring. Participants engaged with senior male and female mentors, with the mentors themselves commenting on how effective the programme was in helping them really engage with the benefits that greater gender balance brings to leadership. In Australia, 10 emerging women leaders took part in the Rise Up pilot. Rise Up is designed to set participants up with the skills they need to have successful careers through an interactive programme including psychometric assessment to raise insight, individual coaching and facilitated workshops.



CAPABLE & HIGHLY  
ENGAGED PEOPLE

# Growing a pipeline of female talent

At Fletcher Building we are focused on making our business a great place for women to work and grow, personally and professionally. There are plenty of opportunities for women at all stages of their careers to grow their leadership, and we are working on targeted initiatives to attract more women into our industry.

Here we share stories of three women at different points on their career journey, demonstrating how diverse and rewarding working at Fletcher Building can be.

## 90

emerging female leaders  
in mentoring activities

## 22.6%

women in operational roles

## 378

female operational  
leaders across the Group



### AURELIE LE GALL

#### Fletcher Living® branch manager – Auckland North



Aurelie Le Gall's progression at Fletcher Building demonstrates what is possible with an open mind and the courage to step into a new career path within the Group.

She initially joined Fletcher Building as talent acquisition manager, where she gained insight into all the different business units of Fletcher Building. After going through a leadership development programme, she shifted her career path and accepted an opportunity to join Fletcher Living® as Operations Manager – Residential.

One year later, she was promoted to Fletcher Living® Manager – Auckland North, a senior, operational role leading a branch team that designs, procures, builds and sells residential homes.

Aurelie mentors other females at Fletcher Living® and, as a founding member of our Group-wide employee action group, The Equality Network, is one of our greatest champions for encouraging women to seize leadership opportunities within the operating side of our business.

"People tend to focus on career progression in a vertical sense, within your function. But there are only so many leadership roles available if you are just looking to get the next job title in the space you are in," Aurelie says.

"We have a deep pool of talented females in functional roles across the business, who would be amazing leaders in operational roles, if they're open to considering a different path."

Aurelie loves connecting people and inspiring them to think about different roles and opportunities on their career journey.

Her inspiration has made a difference, forging a path for three female site managers within Fletcher Living®. There were none when she arrived.

Under Aurelie's leadership, work will begin in late 2023 on 'BUILDhers', the first all-female build where women will lead the planning, designing, building, marketing and selling of a new Fletcher Living® home at Whenuapai.

"Few businesses would match the diversity of Fletcher Building. There are a phenomenal range of career paths you can take within the Group, which keeps it interesting. I encourage any female wanting to grow their career to be open to the many opportunities that can present themselves working in such a diverse set of businesses," Aurelie says.

In May, Aurelie was awarded the Fletcher Building Excellence Award for Better Together: Inclusion and Diversity Champion and the CEO Supreme Award.

## LUCY CLARK

### Crane Operator, Brian Perry Civil®



Lucy Clark scaled new heights when she joined Brian Perry Civil® as its first female crane operator.

The 32 year-old began her ten-year construction career as a piling foundations apprentice in England and moved to New Zealand with her family to join Brian Perry Civil® in 2022.

The qualified crawler crane operator and site crew supervisor has since worked across a range of large

construction projects including the RNZAF Base in Whenuapai and the Snells Beach wastewater treatment plant.

Lucy was used to being the only woman on the construction site in the UK and says it's encouraging to see more females in the construction industry, generally, in New Zealand.

"When I arrived here, a lot of the team on site had never worked with a female crane operator before. I'm often the biggest joker on site as I love to have a laugh and some banter, and they probably didn't know how to take me, so it has been a learning curve," Lucy says.

Lucy is grateful for the career support females receive within Fletcher Building. For her this could include furthering her development towards management and site supervision.

For now, she takes every chance to promote the opportunities that construction careers offer to women.

"I have a five-year-old daughter and I tell her that when it comes to her career, she can do whatever she wants. It is important to educate kids in this way when they are young and to get in and show them what they can be capable of," Lucy says.

"I always say, being a female should not affect what you want to do in life, even in a male-dominated industry. The younger generation should never question or doubt themselves and their abilities and they should be encouraged to follow their dreams. Do what you want to do. Nothing should stop you."

## MARY-JANE VAVETUKI

### Environmental coordinator – Winstone Aggregates®

New graduate Mary-Jane Vavetuki is embracing every learning opportunity as she takes her first steps in her career.

The 21 year-old joined the teams at Winstone Wallboards® and Fletcher Living® over summer on the TupuToa internship programme for Māori and Pacific tertiary students.

She then secured a role as environmental coordinator at Winstone Aggregates® where her work covers site rehabilitation planning, compliance management, planting and plant maintenance, pest control, sponsorship and environmental monitoring and reporting. While she is based at head office, she visits sites up to twice a week to meet with quarry managers, contractors, iwi and ecological trusts.

Winstone Aggregates®' positive biodiversity strategy is a new project she is involved with and is excited for the year ahead.

"I have felt so supported coming in as a graduate and have been surrounded by people willing to help me along the way. I also meet with my development manager fortnightly to talk about my role and career," Mary-Jane says.

With the approach of always saying yes to opportunities, she is now enrolled in a Tikanga Māori course through Fletcher Building, to strengthen her understanding of Māori culture and community relationships with iwi.

Mary-Jane will return to university part-time next year to complete her Bachelor of Advanced Science (Honours) in Ecology with the support of the Employee Education Fund that supports employees returning to university by paying a portion of the fees.

"I am excited to return to study, as I can see how everything fits into place within the workplace. So much of what I'm doing at work relates to what I've studied," she says.

Her message to other young females embarking on construction industry careers: "I say just go for it. Put yourself out there and keep pursuing what you want to do and what makes you happy."



Mary-Jane Vavetuki is getting stuck in early in her career, as a member of Winstone Aggregates® Environment team. She is looking forward to continuing her study and taking further development opportunities offered by the business.



CAPABLE & HIGHLY  
ENGAGED PEOPLE

# Embracing cultural diversity across our business



**Video:** Winstone  
Aggregates® Kotuia  
Workshop

Whakatupu's impact can be felt across our businesses. Winstone Aggregates® have adopted the Whakatupu-initiated rōpū (project) Kotuia programme, which is supporting senior leaders to develop deeper understanding and cultural capability. This will enhance the ongoing development of relationships with mana whenua across the regions we operate.

36

**Māori/Pasifika**  
participants in  
Whakatupu-ia tupu

200+

**Māori leaders**  
developed through Whakatupu

“ We have found the development of our first Reflect Reconciliation Action Plan to be a thoughtful and reflective process for us and lays the foundation for listening and learning. ”

Dean Fradgley, Chief Executive Australia

**As a diverse business, with 29 cultures represented in our operations in New Zealand, Australia and the South Pacific, we recognise the importance of fostering a culture that celebrates our differences.**

In Australia, an important first step forward was taken this year in establishing Fletcher Building's own Reconciliation Action Plan (RAP), a significant milestone for our Australian division and the Group as it embraces its role in the country's reconciliation journey.

Now endorsed by Reconciliation Australia (the lead governing body for reconciliation in Australia) the plan sets out our commitment to tangible and impactful actions, both in the present and the future, to actively contribute to the ongoing process of reconciliation. To signify this important first step, a piece of artwork was commissioned from a First Nations artist to explore and represent Fletcher Building's values, people, customers and community.

Similarly in Aotearoa New Zealand, our dedicated Māori strategy Te Kākano, is now in place to help our business continue to embrace and adopt the Māori identity and world view into our business practices, which will in turn create stronger relationships with mana whenua in the community.

We start with attracting diverse talent at the start of their careers. In New Zealand, we continued our support of First Foundation with eight scholarships and by employing nine Tupu Toa interns in the last year, each initiative set up to create career opportunities for Māori and Pasifika tertiary students.

In June we celebrated our landmark Whakatupu dedicated Māori leadership programme as the final 16 tauira (students) graduated, before the programme opens up to include Pasifika leaders in the first FY24 intake. Over seven years, Whakatupu has grown Māori leaders right across our organisation, many of whom have enthusiastically gone on to continue building internal connections via our Māori leadership network Tātai.

Whakatupu-ia tupu is a combined Māori / Pasifika leadership programme, and builds on the success of its predecessor Whakatupu. Cross-cultural values form the basis for holistic and indigenous leadership, resilience and wellbeing learning to develop prosperous, confident and resilient leaders. The refreshed curriculum will include the addition of a fifth wananga (training session) specific to principles of Pasifika leadership and led by Pasifika people.

# Group Performance

Quarry manager, Lance Gosling (right), and digital channels manager, Michelle Starns, onsite at Pukekawa Quarry, northern Waikato.

For personal use only



# Group Performance

|                                                           | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-----------------------------------------------------------|---------------|---------------|
| Revenue                                                   | 8,469         | 8,498         |
| EBIT before significant items <sup>(1)</sup>              | 798           | 756           |
| Significant items <sup>(2)</sup>                          | (301)         | (54)          |
| EBIT                                                      | 497           | 702           |
| Lease interest expense                                    | (60)          | (58)          |
| Funding costs                                             | (94)          | (46)          |
| Earnings before tax                                       | 343           | 598           |
| Tax expense                                               | (89)          | (159)         |
| Earnings after tax                                        | 254           | 439           |
| Non-controlling interests                                 | (19)          | (7)           |
| Net earnings                                              | 235           | 432           |
| Net earnings before significant items                     | 452           | 484           |
| Basic earnings per share (cents)                          | 30.0          | 53.5          |
| Basic earnings per share before significant items (cents) | 57.7          | 60.0          |
| Dividends declared per share (cents)                      | 34.0          | 40.0          |
| Cash flows from operating activities                      | 388           | 592           |
| Capital expenditure                                       | 461           | 409           |
| Investments                                               | 183           | 12            |

|                                      | 2023<br>NZ\$M | Restated <sup>(3)</sup><br>2022<br>NZ\$M |
|--------------------------------------|---------------|------------------------------------------|
| Revenue                              |               |                                          |
| Building Products                    | 1,443         | 1,458                                    |
| Distribution                         | 1,824         | 1,789                                    |
| Concrete                             | 1,085         | 1,033                                    |
| Australia                            | 3,016         | 2,806                                    |
| Materials and distribution divisions | 7,368         | 7,086                                    |
| Residential and Development          | 607           | 692                                      |
| Construction                         | 1,319         | 1,559                                    |
| Other                                | 10            | 11                                       |
| Gross revenue                        | 9,304         | 9,348                                    |
| Less: intercompany revenue           | (835)         | (850)                                    |
| External revenue                     | 8,469         | 8,498                                    |

(1) EBIT before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's consolidated financial statements for the period ended 30 June 2023. Further details of Significant items can be found in **note 2.2** of the consolidated financial statements.

(2) Further details of Significant items can be found in **note 2.2** of the consolidated financial statements.

(3) The comparatives have been restated as a result of a change in segmental classification of Humes Pipeline Systems which was previously under the Building Products division has been re-presented within the Concrete division. Further details of the change can be found in **note 4** of the consolidated financial statements.

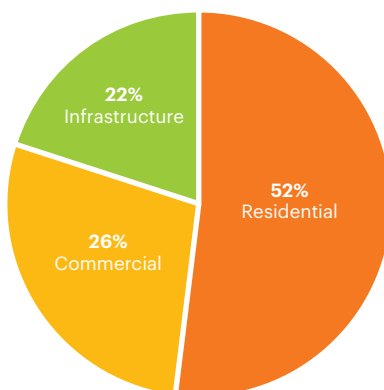
Note: Revenue includes income from the Group's Vertical Buildings Business (2023: \$101 million; 2022: \$265 million), which the Group is in the process of exiting. The New Zealand International Convention Centre and Hobson Street Hotel (NZICC) represent the last projects to complete in this sector. EBIT before significant items, however, excludes any earnings from these projects.

## Group Performance (cont.)

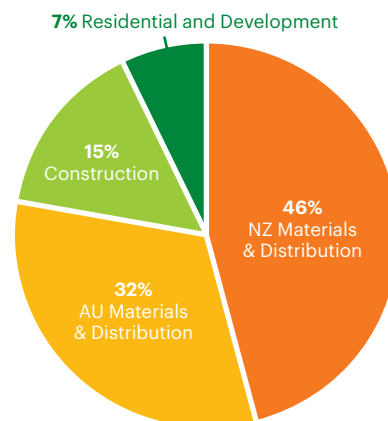
Focus across NZ & Australia



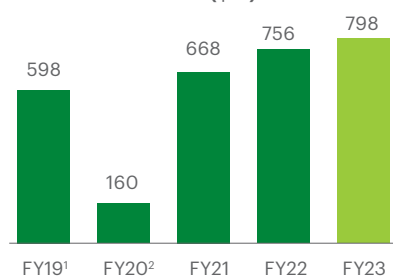
Revenue weighted to market



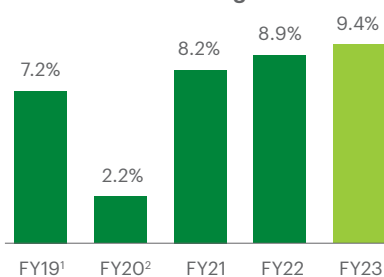
Value chain revenue



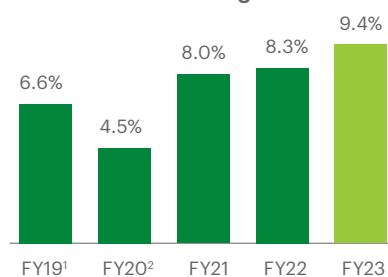
Group EBIT\* (\$m)



Group EBIT\* Margin



Materials & Distribution divisions EBIT\* Margin



\* Before significant items

<sup>1</sup> FY19 is a pro forma number adjusted for discontinued operations and NZ IFRS 16 to allow for like-for-like comparison

<sup>2</sup> FY20 significantly impacted by COVID-19 lockdowns

|                                      | EBIT                      |                                          | EBIT before significant items <sup>(2)</sup> |                                          |
|--------------------------------------|---------------------------|------------------------------------------|----------------------------------------------|------------------------------------------|
|                                      | Reported<br>2023<br>NZ\$m | Restated <sup>(1)</sup><br>2022<br>NZ\$m | Reported<br>2023<br>NZ\$m                    | Restated <sup>(1)</sup><br>2022<br>NZ\$m |
| Building Products                    | 200                       | 192                                      | 215                                          | 192                                      |
| Distribution                         | 140                       | 136                                      | 141                                          | 137                                      |
| Concrete                             | 154                       | 146                                      | 156                                          | 146                                      |
| Australia                            | 170                       | 67                                       | 180                                          | 113                                      |
| Materials and distribution divisions | 664                       | 541                                      | 692                                          | 588                                      |
| Residential and Development          | 147                       | 217                                      | 147                                          | 217                                      |
| Construction                         | (247)                     | 3                                        | 26                                           | 14                                       |
| Corporate and other                  | (67)                      | (59)                                     | (67)                                         | (63)                                     |
| <b>Total EBIT</b>                    | <b>497</b>                | <b>702</b>                               | <b>798</b>                                   | <b>756</b>                               |
| Lease interest expense               | (60)                      | (58)                                     | (60)                                         | (58)                                     |
| Funding costs                        | (94)                      | (46)                                     | (94)                                         | (46)                                     |
| <b>Earnings before tax</b>           | <b>343</b>                | <b>598</b>                               | <b>644</b>                                   | <b>652</b>                               |
| Tax expense                          | (89)                      | (159)                                    | (173)                                        | (161)                                    |
| <b>Earnings after tax</b>            | <b>254</b>                | <b>439</b>                               | <b>471</b>                                   | <b>491</b>                               |
| Non-controlling interests            | (19)                      | (7)                                      | (19)                                         | (7)                                      |
| <b>Net earnings</b>                  | <b>235</b>                | <b>432</b>                               | <b>452</b>                                   | <b>484</b>                               |

(1) The comparatives have been restated as a result of a change in segmental classification. Humes Pipeline Systems which was previously under the Building Products division has been re-presented within the Concrete division. Further details of the change can be found in **note 4** of the consolidated financial statements.

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# Group Overview

External revenue of \$8,469 million was broadly in line with the prior year's \$8,498 million. EBIT before significant items was \$798 million, up 5.6% compared to \$756 million in the prior year, with Group EBIT margin before significant items improving to 9.4%. Group net earnings were \$235 million, compared to \$432 million reported in the prior year. Cash flows from operating activities were \$388 million, compared to \$592 million in the prior year. Return on funds employed (ROFE) was 17.1%, down on prior year of 19.3%.

The FY23 result reflects a solid operational performance in a market where activity levels were lower than the prior year, and which was impacted by significant weather events. Market volumes for the materials and distribution divisions (Building Products, Concrete, Distribution and Australia) in New Zealand and Australia were 5% to 7% lower in FY23 compared to the peak in the second half of FY22. The decline was driven primarily by the residential sector, while commercial and infrastructure markets were more robust, which also supported workload in the Construction division. For the Residential and Development division, the New Zealand housing market proved challenging, as a sharp increase in interest rates led to a material reduction in both housing demand and prices.

Despite the softer markets, the materials and distribution divisions delivered strong year-on-year growth. EBIT before significant items increased to \$692 million compared to \$588 million in the prior year, and EBIT margins lifted by 110 basis points to 9.4%. Input cost inflation remained elevated at 6% to 7% per annum on average, driven particularly by raw materials, freight, and labour cost increases. Offsetting these impacts were: good price recoveries; higher sales through digital channels which have a lower cost-to-serve; and a sustained focus on gaining share in higher-margin segments. This resulted in gross margins for the four divisions expanding by 170 basis points compared to the prior year. Investments in improved customer service and solutions were also evident in these divisions' Net Promoter Score (NPS), which lifted to an average of 38 from 33 in the prior year. ROFE lifted to 18.8% from 18.2% in the prior year, notwithstanding the significant investments in growth projects during the year.

The Residential and Development division delivered EBIT of \$147 million, compared to \$217 million in the prior year. The Fletcher Residential businesses reported EBIT of \$112 million, down from \$169 million in FY22. A total of 617 units were taken to profit compared to 670 in FY22, a solid result in the challenging market environment. Lower house prices and higher build costs saw EBIT margins reduce to 20% from 28% in FY22, though remained above the business's 15% – 20% target level. The Industrial Development business reported EBIT of \$35 million, down from \$48 million in FY22. ROFE for the division remained solid at 16%.

The Construction division delivered EBIT before significant items of \$32 million (prior to elimination of intra-Group margin), slightly ahead of the prior year's \$28 million. Brian Perry Civil® performed well, while Higgins® result was below expectations due to low margins on maintenance work, underperformance on a range of small construction projects, and impacts of wet weather. Positively, the Construction division's order book exited the year in a strong position, with \$2.5 billion of work in hand (excluding legacy projects) and a further \$1.8 billion of preferred projects. The division's committed and preferred work consists primarily of lower risk forms of contracts, notably alliances, enterprise agreements and maintenance contracts.

The Group's legacy construction projects are nearing completion, with most of the remaining risks related to claims and disputes on three projects. The New Zealand International Convention Centre and Hobson Street Hotel (NZICC) remains on schedule for completion at the end of calendar year 2024, with progressive handover of carparks and the hotel planned through the first half of FY24. In FY23, additional provisioning of \$255 million on NZICC was required due to: project costs increasing above the Contract Works Insurance policy limits; and targeted recoveries on Third Party Liability (TPL) insurance not yet being virtually certain, as required for recognition under accounting standards. The Pūhoi to Warkworth motorway was opened in June 2023, with some deferred works to finish through FY24. The project has lodged >\$200 million of claims (of which the Group's share is 50%), mainly related to COVID-19 delays and which require successful resolution to hold the current project provision. The balance of legacy projects (circa 80 in total) is now complete, with a small number of disputes and defects to resolve. The most substantial of these is on the Wellington International Airport carpark, where a circa \$40 million claim has been lodged against FCC, which it disputes.

Across the Group, significant item charges in the year totalled \$301 million, compared to \$54 million in the prior year. Outside of the additional NZICC provisioning, the principal charges were; \$22 million for property and equipment damage from the significant weather events in New Zealand in early 2023 and A\$15 million to establish a fund to support homebuilders in Western Australia related to the Iplex® Australia Pro-fit pipes matter.

Net interest expense for the Group was \$154 million in the year, of which \$94 million related to funding costs and \$60 million related to lease expenses. Tax expense was \$89 million in the year compared to \$159 million in the prior year.

Basic earnings per share were 30.0 cents for the year, compared to 53.5 cents in the prior year. Excluding the impact of significant items, earnings per share were 57.7 cents, a 4% decrease on the 60.0 cents reported in the prior year.

## Group cash flows

Cash flows from operating activities for the Group were \$388 million, compared to \$592 million in the prior period. The year-on-year reduction in operating cash flows was due mainly to higher cash tax payments (\$191 million compared to \$13 million in FY22) and higher funding costs paid (\$92 million compared to \$43 million). Outside of these areas, underlying trading cash flows (excluding significant items and legacy construction projects) were robust at \$548 million, compared to \$525 million in the prior year.

In the materials and distribution divisions, trading cash flows before significant items were strong at \$720 million, materially higher than the \$450 million in the prior year.

## Group Overview (cont.)

| Cash flow                                                                | H1 2023<br>NZ\$M | H2 2023<br>NZ\$M | 2023<br>NZ\$M | 2022<br>NZ\$M |
|--------------------------------------------------------------------------|------------------|------------------|---------------|---------------|
| <b>EBIT before significant items <sup>(1)</sup></b>                      | <b>360</b>       | <b>438</b>       | <b>798</b>    | <b>756</b>    |
| Depreciation and amortisation                                            | 180              | 178              | 358           | 350           |
| Lease principal payments and lease interest paid                         | (127)            | (129)            | (256)         | (244)         |
| Provisions and other                                                     | (19)             | (39)             | (58)          | (11)          |
| <b>Trading cash flow before working capital movements</b>                | <b>394</b>       | <b>448</b>       | <b>842</b>    | <b>851</b>    |
| Working capital movements                                                | (457)            | 163              | (294)         | (326)         |
| <b>Trading cash flow excluding significant items and legacy projects</b> | <b>(63)</b>      | <b>611</b>       | <b>548</b>    | <b>525</b>    |
| Legacy projects cash flow                                                | (28)             | (3)              | (31)          | (35)          |
| Significant items cash flow                                              | (16)             | (26)             | (42)          | (28)          |
| <b>Trading cash flow</b>                                                 | <b>(107)</b>     | <b>582</b>       | <b>475</b>    | <b>462</b>    |
| Add: lease principal repayments                                          | 97               | 99               | 196           | 186           |
| Less: cash tax paid                                                      | (154)            | (37)             | (191)         | (13)          |
| Less: funding costs paid                                                 | (39)             | (53)             | (92)          | (43)          |
| <b>Cash flows from operating activities</b>                              | <b>(203)</b>     | <b>591</b>       | <b>388</b>    | <b>592</b>    |

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The improvement was driven by higher earnings and a reduction in inventories in FY23, compared to a significant stock-build in the prior year in response to stretched supply chains.

The Residential and Development division reported a trading cash outflow of \$107 million. A working capital outflow of \$240 million in the year was driven by the settlement of circa \$235 million of land purchases, almost all of which were contracted in prior periods, while housing work-in-progress was actively controlled in line with the softer market. The division made limited new land commitments in FY23 and remains well-positioned to support its future sales pipeline through a total of circa 4,800 sections under its control. For the circa 3,100 sections and two rural properties on balance sheet at June 2023, the assessed market valuation was circa \$330 million higher than the book value.

Construction recorded an underlying trading cash flow of \$5 million, with good cash generation in Brian Perry Civil® offset by unwind of advance payment positions in Higgins®. Legacy project cash outflows were \$31 million, principally driven by legacy roading projects, while NZICC was broadly cash neutral as Contract Works Insurance receipts offset fire remediation costs.

Total significant items cash outflows (excluding legacy construction projects) in FY23 were \$42 million, with the largest item being \$10 million of transition costs in Winstone Wallboards® for the move to the new Tauriko plant.

Net capital expenditure and investments for the Group were \$641 million in FY23. Base capital expenditure of \$230 million (consisting of maintenance, digital/ERP, sustainability, and efficiency capital expenditure) remained in line with

the Group's target range of \$200 million to \$250 million. Capital expenditure for the new Winstone Wallboards® plasterboard plant was \$90 million, with the project entering the commissioning phase in late FY23 and remaining on time and on budget.

Growth capital expenditure and investments totalled \$308 million in FY23 as the Group made material progress on its push into growth adjacencies. Organic growth investments included: \$30 million on the new Laminex® Taupō wood panels plant; \$30 million on acquiring a new distribution and processing site for Steel's Auckland operations; and \$38 million on property acquisition for a new PlaceMakers® frame and truss plant. Key acquisitions in FY23 were: the purchase of six Tumu® building centres and a frame and truss operation, expanding the PlaceMakers® offering servicing the East Coast of the North Island (\$50 million with an additional \$11 million working capital adjustment settled in January 2023); and Waipapa Pine Limited and Renewable Wood Fuels Limited (together, "Waipapa") in June 2023 as part of the Building Products divisional growth strategy into the Wood Products sector (\$106 million with further potential earn-out up to \$13 million to be assessed through FY24). Other smaller acquisitions in the year included a Water Filters operation (\$6 million) to complement the Oliveri® business in Australia; and the acquisition of The Urban Quarry® (\$10 million) supporting the Concrete division's circular economy strategy.

In addition, the Group invested \$19 million in the Vivid Living® retirement village developments.

Dividend payments in the year were \$311 million, consisting of the FY22 final and FY23 interim dividends.

## Balance sheet, returns and funding

The Group's balance sheet and funding profile remain strong.

ROFE before significant items for the year was 17.1%. Funds employed increased to \$4.8 billion compared to \$4.2 billion at 30 June 2022, underpinned by the Group's continued investment in attractive growth opportunities to deliver at least 15% ROFE when mature.

The Group's leverage ratio (net debt / EBITDA before significant items) at 30 June 2023 was 1.2 times, higher than the 0.6 times at 30 June 2022, but remaining at the lower end of the target range of 1.0 to 2.0 times. Looking ahead, the Group expects its investments in growth initiatives and construction legacy cash outflows to lift the leverage ratio through FY24 but continue to remain within the target range.

The Group's gearing at 30 June 2023 was 27.8% compared with 15.1% at 30 June 2022.

In FY23, as part of its syndicated revolving credit facility, the Group negotiated an additional Australian dollar denominated tranche of \$674.5 million together with an extension of a New Zealand dollar denominated tranche of \$200 million for a further five years to 2028. In addition, the Group negotiated a New Zealand dollar denominated committed liquidity facility of \$300 million which matures in October 2024. Total funding available to the Group at 30

June 2023 was \$2,791 million of which \$1,014 million was undrawn and there was an additional \$365 million of cash on hand. The Group's liquidity was therefore strong at \$1.4 billion.

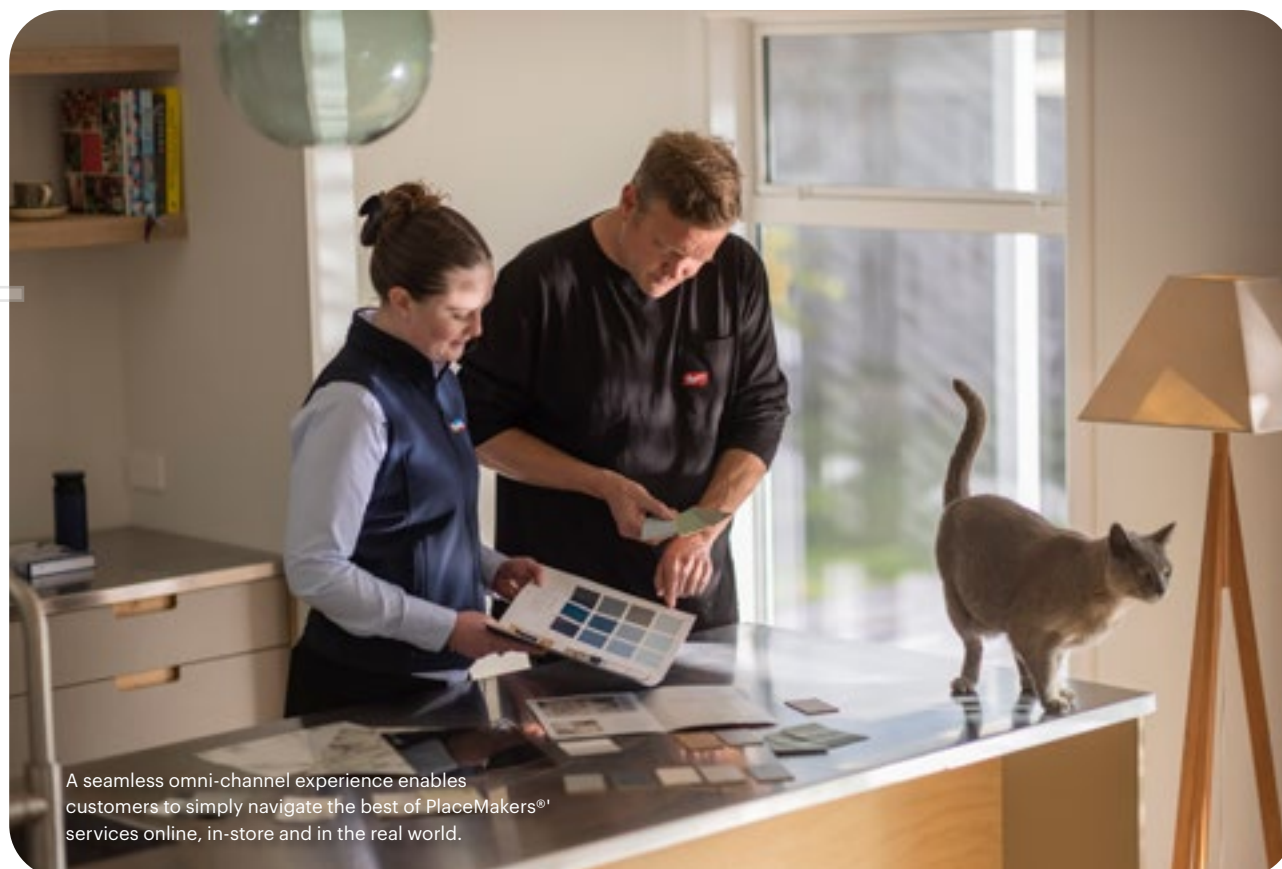
The average maturity of the Group's debt at 30 June 2023 was 3.1 years, with the currency split being 19% Australian dollar; 80% New Zealand dollar; and 1% spread over various other currencies.

The Group currently has 61% of all borrowings with fixed interest rates with an average duration of 2.8 years. Inclusive of floating rate borrowings, the average interest rate on the debt (based on period-end borrowings) was 5.7%.

## Dividend

The 2023 final dividend is 16.0 cents per share. The final dividend will be fully imputed but unfranked for tax purposes.

The final dividend will be paid on 5 October 2023 to holders registered as at 5:00 pm (NZ time) on 15 September 2023. The shares will be quoted on an ex-dividend basis from 14 September 2023 on the NZX and ASX. The Dividend Reinvestment Plan will not be operative for this dividend payment.

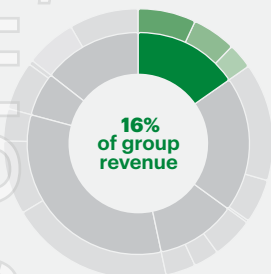


A seamless omni-channel experience enables customers to simply navigate the best of PlaceMakers® services online, in-store and in the real world.

# Divisional Performance

Workers at Laminex® New Zealand distribution centre in Penrose, Auckland, getting product ready for customer collection.

Revenue  
\$1,443m

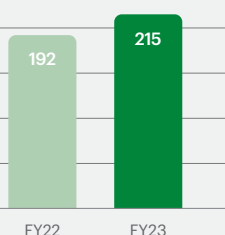


#### Revenue Weighted Sector Exposure

- 46% Residential
- 33% Commercial
- 21% Infrastructure

#### EBIT\* EBIT\* margin

13.2% — 14.9%



ROFE: 18%

\* before significant items

#### Safety

2.5  
(TRIFR<sup>1</sup>)

#### Customer

49  
(NPS<sup>1</sup>)

#### Environment

62,000 tCO<sub>2</sub>e  
Carbon emissions<sup>2</sup>

73%

(Revenue from  
sustainably certified  
products)

#### People

41  
(eNPS)

# Building Products

The Building Products division reported gross revenue of \$1,443 million, broadly in line with the prior year. EBIT before significant items was \$215 million, \$23 million higher than the prior year, with EBIT margin before significant items expanding 170 basis points to 14.9%.

For the Building Products division, the FY23 trading environment was characterised by a softening in the residential market through the second half of the year, as well as persistent wet weather and sustained inflationary pressure on input costs. Substantial cost increases were absorbed on gypsum, paper, resin and freight, partially offset by lower utility costs from the drop in electricity prices. The continuing focus on cost management across all businesses, combined with effective pricing disciplines and focus on improved customer offerings, resulted in 110 basis points improvement in gross margin. Overall, EBIT before significant items of \$215 million was 12% higher than the prior year.

The division continues to build strong relationships with customers through positive product and service experience. In FY23, Comfortech® developed the Pink® Superbatts® glasswool insulation range specifically suited to meet the New Zealand H1 Building Code regulations change. Iplex® successfully commissioned a new PVC-O technology and Restrain manufacturing which are both unique to the New Zealand market, providing market leading trenchless pipe solutions. Pacific Coilcoaters switched to new infra-red ovens, the first installation of this technology for coil coating in Australasia, which will see the delivery of substantial carbon reduction in the coming years. Laminex® launched a new wood veneer emulation product that is both UV and moisture resistant.

The division delivered a trading cash flow of \$172 million, \$62 million higher than the prior year, mainly owing to significantly lower investments in stock. Inventory holdings in most businesses returned to normalised levels as supply chain disruptions eased, except in Iplex® where channel destocking meant inventory levels remained elevated at year-end.

Capital expenditure in the year was \$191 million, of which \$90 million was for the new Winstone Wallboards® plasterboard plant in Tauriko, with the project progressing within planned cost and timeline. This project is already in its commissioning phase, with BRANZ product certification underway across the product range. Other key capital projects in FY23 included: commencement of the Laminex® Taupō wood panels plant (\$30 million); purchase of a new Steel distribution and processing site at Hunua (\$30 million); new electric ovens in the division's coil business (\$7 million); and the preliminary planning and design of the new glass wool manufacturing plant (\$5 million).

As part of the divisional growth strategy into the Wood Products sector, acquisition of the Waipapa business was completed in June 2023 for \$119 million, \$13 million of which is a deferred earn-out expected to be settled in H2 FY24. Together with the Laminex® wood panels project, these two wood-based product businesses are aimed at strengthening the division's position in the broader building products sector and delivering innovative new products to customers.

<sup>1</sup> Excludes Altus® and Waipapa

<sup>2</sup> Combined Scope 1 & 2 carbon emissions with an allocation of Corporate emissions. Excludes Waipapa

Building Products Chief Executive, Hamish McBeath (right), and consultant, Grant Arnold, at Waipapa Pine Limited in Kerikeri, Northland.

| Financial Summary<br>Year ended 30 June             | 2023<br>NZ\$M | Restated <sup>(1)</sup><br>2022<br>NZ\$M |
|-----------------------------------------------------|---------------|------------------------------------------|
| Gross revenue                                       | 1,443         | 1,458                                    |
| External revenue                                    | 1,154         | 1,155                                    |
| Gross margin                                        | 34.0%         | 32.9%                                    |
| EBIT before significant items <sup>(2)</sup>        | 215           | 192                                      |
| EBIT margin before significant items <sup>(2)</sup> | 14.9%         | 13.2%                                    |
| Significant items <sup>(3)</sup>                    | (15)          |                                          |
| Funds                                               | 1,210         | 892                                      |
| ROFE <sup>(4)</sup>                                 | 18%           | 22%                                      |
| Trading cash flow                                   | 172           | 110                                      |
| Capital expenditure                                 | 191           | 191                                      |
| Investments <sup>(5)</sup>                          | 106           |                                          |

| EBIT before significant items <sup>(2)</sup><br>Year ended 30 June | 2023<br>NZ\$M | Restated <sup>(1)</sup><br>2022<br>NZ\$M |
|--------------------------------------------------------------------|---------------|------------------------------------------|
| Light Building Products                                            | 159           | 146                                      |
| Metals                                                             | 63            | 59                                       |
| Wood Products                                                      |               |                                          |
| Divisional costs                                                   | (7)           | (13)                                     |
| <b>Total</b>                                                       | <b>215</b>    | <b>192</b>                               |

(1) The comparatives have been restated as a result of a change in segmental classification. Humes Pipeline Systems (which was previously under the Building Products division has been re-presented within the Concrete division being reclassified into the Concrete division. Further details of the change can be found in **note 4** of the consolidated financial statements.

(2) EBIT before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's consolidated financial statements for the period ended 30 June 2023.

(3) Details of Significant items can be found in **note 2.2** of the consolidated financial statements.

(4) EBIT before significant items / closing funds.

(5) Excludes \$13 million deferred settlement of Waipapa earn-out.

## Our Building Products businesses

### Light Building Products



### Metals

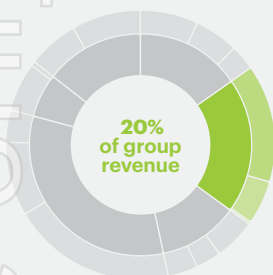


### Wood Products



## Revenue

**\$1,824m**



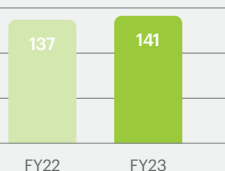
### Revenue Weighted Sector Exposure

- 73% Residential
- 27% Commercial

## EBIT\*

### EBIT\* margin

7.7% — 7.7%



ROFE: 45%

\* before significant items

## Safety

4.1  
(TRIFR<sup>1</sup>)

## Customer

31  
(NPS<sup>1</sup>)

## Environment

10,000 tCO<sub>2</sub>e  
Carbon emissions<sup>2</sup>

## People

30  
(eNPS)

# Distribution

The Distribution division reported gross revenue of \$1,824 million, which was 2% higher than the prior year. EBIT before significant items was \$141 million, compared to \$137 million in the prior year, with EBIT margin before significant items remaining in line with the prior year at 7.7%.

For the Distribution division, FY23 represented a return to more normal trading conditions from the prior year where demand had outstripped supply in many areas. The division's gross revenue was 2% higher than the prior year and gross margin improved by 80 basis points. The improvement in gross margin was primarily driven by the ongoing focus on operational efficiency, including the expansion of PlaceMakers® Regional Hub programme, and improved pricing and sales disciplines. Along with the addition of Tumu®, this helped offset inflationary impacts across labour, property and supply chain. Overall, EBIT before significant items increased by 3% to \$141 million.

The division's performance was underpinned by its focus on customer centricity, with ongoing investment in the introduction of new tools to support best-in-class customer service. During FY23, the division focused on enhanced sales team capability and the rollout of the Sales & Service Transformation in PlaceMakers®, which creates a 360° view of the customer to support first call resolution and seamless service. In FY24, PlaceMakers® plans to introduce innovative new store formats and continue to drive market-leading fulfilment through digitisation of end-to-end supply chain.

Trading cash flow was \$185 million for the year, \$115 million higher than the prior year. This was a result of effective working capital management, with inventory levels reducing as supply chain reliability improved. Customer cash collections were tightly controlled, with debtors' days up circa 2 days on the prior year. This was in line with a tougher credit environment across the building merchant industry.

Capital expenditure in the year was \$62 million, primarily comprising: the purchase of a property to relocate PlaceMakers® frame and truss manufacturing plant in Auckland, which will contribute to greater operational efficiency and increased capability to enable share growth for the business; and continued investment in digital programmes, including the launch of Mico®'s new Trade Portal and Customer App. PlaceMakers® opened new branches in Dunedin and Winton during FY23, while Mico® opened new branches in Mangawhai and Kaitiāia.

In addition, the acquisition of the Tumu® business was completed in September 2022, strengthening the division's network in the eastern North Island and delivering FY23 EBIT of \$9 million. The focus remains on retaining key talent and preserving a strong team culture to deliver exceptional customer service to the region and favourable earnings to the division.

<sup>1</sup> Excludes Tumu®

<sup>2</sup> Combined Scope 1 & 2 carbon emissions with an allocation of Corporate emissions



Distribution Chief Executive, Bruce McEwen (second from right) at Hoani Waititi Marae for the June 2023, Whakatapu graduation.

| Financial Summary<br>Year ended 30 June             | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-----------------------------------------------------|---------------|---------------|
| Gross revenue                                       | 1,824         | 1,789         |
| External revenue                                    | 1,792         | 1,764         |
| Gross margin                                        | 28.9%         | 28.1%         |
| EBIT before significant items <sup>(1)</sup>        | 141           | 137           |
| EBIT margin before significant items <sup>(1)</sup> | 7.7%          | 7.7%          |
| Significant items <sup>(2)</sup>                    | (1)           | (1)           |
| Funds                                               | 312           | 246           |
| ROFE <sup>(3)</sup>                                 | 45%           | 56%           |
| Trading cash flow                                   | 185           | 70            |
| Capital expenditure                                 | 62            | 11            |
| Investments                                         | 61            |               |

(1) EBIT before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's consolidated financial statements for the period ended 30 June 2023.

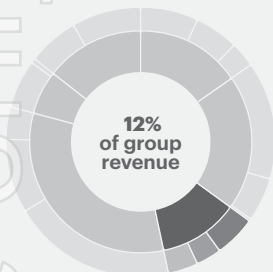
(2) Details of Significant items can be found in **note 2.2** of the consolidated financial statements.

(3) EBIT before significant items / closing funds.

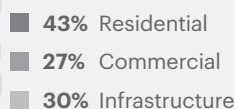
### Our New Zealand Distribution businesses



Revenue  
\$1,085m

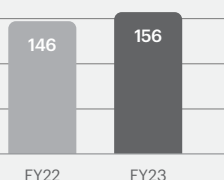


#### Revenue Weighted Sector Exposure



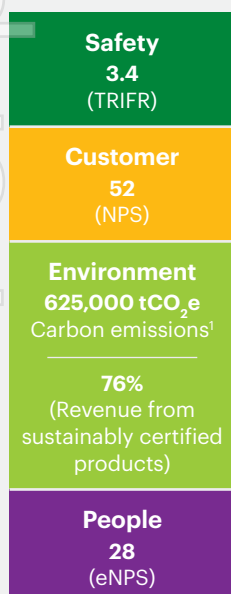
#### EBIT\* EBIT\* margin

14.1% — 14.4%



ROFE: 20%

\* before significant items



<sup>1</sup> Combined Scope 1 & 2 carbon emissions with an allocation of Corporate emissions

# Concrete

The Concrete division reported gross revenue of \$1,085 million, which was 5% higher than the prior year. EBIT before significant items was \$156 million compared to \$146 million in the prior year, with EBIT margin before significant items expanding by 30 basis points to 14.4%.

Market activity remained supportive in the commercial and infrastructure sectors, while a softening residential market and wet weather impacted activity in the second half of the year. Input cost inflation remained elevated, averaging around 12% per annum, particularly in areas such as coal, diesel and freight. Good pricing disciplines enabled the division to hold gross margins broadly in line with the prior year. The division also continued to benefit from its recent investments differentiating its customer offering, extending capacity and debottlenecking key operations. Overall, EBIT before significant items of \$156 million was up 7% on prior year, with EBIT margin before significant items increasing slightly to 14.4%. These continued improvements have seen the division increase its EBIT margin before significant items by 420 basis points since FY19.

The division continues to focus on offering market-leading solutions to customers, notably through:

- New Zealand's largest range of low carbon products, such as Firth® HotEdge®, a thermally insulated flooring solution designed to increase building lifecycle efficiency;
- Being at the forefront of the circular economy – the division recycled and reused >100,000 tonnes of waste across alternative fuels and raw materials, clinker substitution, and the recycling of demolition waste;
- Embracing technology solutions that enhance customer experience and optimise production and supply chain operations – e.g. in FY23 the division launched a new customer portal in Golden Bay® to provide real-time, on-demand access to manage orders, delivery, and fulfilment; and
- Improved market coverage and supply resilience via capacity increases and bolt-on acquisitions.

Trading cash flow for the division was strong at \$156 million, although slightly lower than the prior year due to the phasing of raw material purchases. Working capital remains tightly managed and a key focus for the division.

Capital expenditure in the period of \$65 million was focused on asset renewal, quarry capacity expansion, and key strategic projects to drive future growth through innovation, digital and more sustainable operations and customer offers. The acquisition of The Urban Quarry® was completed in April 2023 for \$10 million, supporting the division to fast-track recycling of deconstruction waste and offering circular solutions to customers.

Concrete Chief Executive, Nick Traber, overlooks the new Winstone Aggregates® processing plant at Whitehall Quarry, Waikato.

| Financial Summary<br>Year ended 30 June             | Restated <sup>(1)</sup> |               |
|-----------------------------------------------------|-------------------------|---------------|
|                                                     | 2023<br>NZ\$M           | 2022<br>NZ\$M |
| Gross revenue                                       | 1,085                   | 1,033         |
| External revenue                                    | 800                     | 772           |
| Gross margin                                        | 28.9%                   | 28.7%         |
| EBIT before significant items <sup>(2)</sup>        | 156                     | 146           |
| EBIT margin before significant items <sup>(2)</sup> | 14.4%                   | 14.1%         |
| Significant items <sup>(3)</sup>                    | (2)                     |               |
| Funds                                               | 789                     | 729           |
| ROFE <sup>(4)</sup>                                 | 20%                     | 20%           |
| Trading cash flow                                   | 156                     | 172           |
| Capital expenditure                                 | 65                      | 94            |
| Investments                                         | 10                      |               |

(1) The comparatives have been restated as a result of a change in segmental classification. Humes Pipeline Systems which was previously under the Building Products division has been re-presented within the Concrete division being reclassified into the Concrete division. Further details of the change can be found in **note 4** of the consolidated financial statements.

(2) EBIT before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's consolidated financial statements for the period ended 30 June 2023.

(3) Details of Significant items can be found in **note 2.2** of the consolidated financial statements.

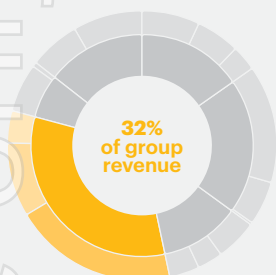
(4) EBIT before significant items / closing funds.

## Our Concrete businesses



## Revenue

**\$3,016m**



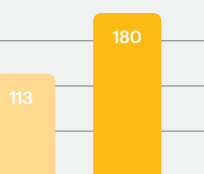
### Revenue Weighted Sector Exposure

- **61%** Residential
- **27%** Commercial
- **12%** Infrastructure

## EBIT\*

### EBIT\* margin

4.0% ————— 6.0%



FY22 FY23

**ROFE: 13%**

\* before significant items

## Safety

**3.2**  
(TRIFR<sup>1</sup>)

## Customer

**20**  
(NPS<sup>2</sup>)

## Environment

**282,000 tCO<sub>2</sub>e**  
Carbon emissions<sup>3</sup>

**67%**

(Revenue from sustainably certified products<sup>4</sup>)

## People

**14**  
(eNPS)

1 Excludes Rocla®

2 Excludes Haven and Water Filters Australia

3 Combined Scope 1 & 2 carbon emissions. Excludes Rocla®

4 Excludes Tradelink® revenue

# Australia

The Australia division reported gross revenue of \$3,016 million, 7% higher than the prior year. EBIT before significant items was \$180 million, compared with \$113 million in the prior year. EBIT margin before significant items increased to 6.0% compared to 4.0% in the prior year.

During FY23, market activity in Australia remained broadly supportive in the first half, while residential new-build and alterations markets softened in the second half as interest rate rises began to impact activity. Revenue growth in the year was driven mainly by Laminex® and Iplex®, which both reported gross revenue in local currency 13% higher than the prior year, with Iplex® benefiting from good levels of civil project activity.

Significant input cost inflation remained a feature of the trading environment. This was particularly in areas such as steel, resin, freight and labour, although these pressures eased somewhat in the second half. Strong pricing discipline and governance ensured higher input costs were successfully recovered, with gross margins increasing 300 basis points on the prior year. Earnings and profitability in the division also continued to benefit from simplification of business models and rationalisation of manufacturing and distribution footprints in prior years. Overall EBIT before significant items of \$180 million was a pleasing 59% higher than the prior year, with EBIT margin before significant items increasing 200 basis points to 6.0%.

The division's focus on customer and on growing in margin-accretive segments, was evident in FY23 through:

- Continued build-out of digital omni-channel solutions, with digital sales now 15% of total divisional revenue;
- Investment in new product development – e.g. Laminex® Surround and Fletcher Insulation® Firmssoft®;
- Ongoing focus on improving DIFOTIS (Delivery in Full on Time in Specification); and
- Share growth in higher margin segments – e.g. Stramit® sheds and doors, Laminex® decorative, and the bathroom category for Oliveri®.

Significant item charges in the division included an additional provision for silica-related claims of A\$7.5 million (see **note 11** of the consolidated financial statements) and A\$15 million to establish a fund to support homebuilders in Western Australia related to the Iplex® Pro-fit pipes matter - see further commentary on page 77.

Trading cash flow was \$177 million compared with \$80 million in the prior year. The cash flow result reflected continued tight debtor controls and unwinding of investments in inventories.

Capital expenditure in the year was \$59 million, with key investments continuing in the areas of new product development, latest automation technologies in the manufacturing businesses and digital omni-channel programmes. Additionally, the division acquired a Water Filters operation for the Oliveri® business for \$6 million.



Fletcher  
Building

Fletcher  
Building

Fletcher  
Building

Fletcher  
Building

Dean Fradgley, Chief Executive Australia, with learning and organisational development team members, Rita Slogrove (left) and Jordyn McCosker (right).

| Financial Summary<br>Year ended 30 June                                       | 2023<br>NZ\$M         | 2022<br>NZ\$M         |
|-------------------------------------------------------------------------------|-----------------------|-----------------------|
| Gross revenue                                                                 | 3,016                 | 2,806                 |
| External revenue                                                              | 2,953                 | 2,740                 |
| Gross margin                                                                  | 32.4%                 | 29.4%                 |
| EBIT before significant items <sup>(1)</sup>                                  | 180                   | 113                   |
| EBIT margin before significant items <sup>(1)</sup>                           | 6.0%                  | 4.0%                  |
| Significant items <sup>(2)</sup>                                              | (10)                  | (46)                  |
| Funds                                                                         | 1,368                 | 1,365                 |
| ROFE <sup>(3)</sup>                                                           | 13%                   | 8%                    |
| Trading cash flow                                                             | 177                   | 80                    |
| Capital expenditure                                                           | 59                    | 55                    |
| Investments                                                                   | 6                     |                       |
| <b>EBIT before significant items <sup>(1, 4)</sup><br/>Year ended 30 June</b> | <b>2023<br/>NZ\$M</b> | <b>2022<br/>NZ\$M</b> |
| Building Products Australia                                                   | 141                   | 85                    |
| Distribution Australia                                                        | 16                    | 22                    |
| Steel Australia                                                               | 31                    | 20                    |
| Divisional costs                                                              | (8)                   | (11)                  |
| <b>Total</b>                                                                  | <b>180</b>            | <b>116</b>            |

(1) EBIT before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's consolidated financial statements for the period ended 30 June 2023.

(2) Details of Significant items can be found in **note 2.2** of the consolidated financial statements.

(3) EBIT before significant items / closing funds.

(4) Excluding the impact of Rocla®.

## Our Australia businesses

### Building Products Australia

Laminex®

iplex®

Fletcher  
Insulation  
Building Better. Together.

### Distribution Australia

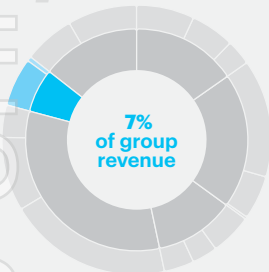
Tradelink®

Oliveri

Steel Australia

Stramit®  
STEEL REINFORCEMENT

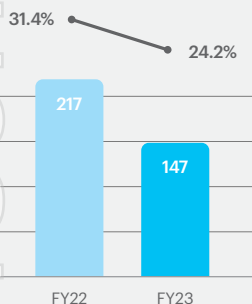
Revenue  
\$607m



Revenue Weighted  
Sector Exposure

- 92% Residential
- 8% Commercial

EBIT  
EBIT margin



ROFE: 16%

Safety  
3.0  
(TRIFR)

Customer  
72  
(NPS)

Environment  
<1,000 tCO<sub>2</sub>e  
Carbon emissions<sup>1</sup>

People  
40  
(eNPS)

<sup>1</sup> Combined Scope 1 & 2 carbon emissions with an allocation of Corporate emissions

# Residential and Development

The Residential and Development division reported gross revenue of \$607 million, 12% lower than the prior year. EBIT of \$147 million was a material decrease on the \$217 million in the prior year. EBIT margin of 24.2% compares to 31.4% in the prior year.

Trading conditions in the New Zealand housing market proved challenging in FY23. A rapid increase in interest rates resulted in a material drop in buyer demand and an average circa 15% reduction in house prices. Increased materials and labour costs further compressed margins, while extended consenting timelines and delays in apartment construction led to late delivery of some units.

In this environment Fletcher Residential delivered a solid result, with 617 units taken to profit compared to 670 in the prior year. The business's focus on lower price points meant it was operating in the most active part of the housing market in FY23, and it continued to benefit from its high-quality developments and strong customer reputation. Clever Core®, the division's panelisation business, delivered 147 homes in the year, a 40% increase on FY22. Overall, Fletcher Residential reported EBIT of \$112 million, down from \$169 million in FY22, and EBIT margins of 20% compared to 28% in FY22. The FY23 margin remained above the business' 15% to 20% target level, and above the 16% delivered in FY19.

The Industrial Development business delivered EBIT of \$35 million for FY23, driven by one large land transaction in Auckland in the second half of the year. This compares to \$48 million in the prior year, which resulted from two significant transactions in Australia.

The division continues to optimise house typologies in proven locations to meet customer preferences and target price points. In Auckland, Vivid Living® provides a previously unavailable offering to retirement age customers within their existing developments, with completion of the first settlements at Red Beach due in the first half of FY24, and construction soon commencing at Karaka and Waiata Shores. The division also continues to lead on sustainability through innovation in low carbon homes, and in FY23 diverted over 40% of waste away from landfill.

Trading cash flow in FY23 was an outflow of \$107 million and divisional funds employed at 30 June 2023 were \$915 million, compared to \$651 million at 30 June 2022. This increase was driven primarily by the settlement of circa \$235 million of land purchases, almost all of which were contracted in prior periods, while housing work-in-progress was well-controlled.

The division made limited new land commitments in FY23 and remains well-positioned to support its future sales pipeline through a total of circa 4,800 sections under control. For the circa 3,100 sections and two rural properties on balance sheet at June 2023, the assessed market valuation was circa \$330 million higher than the book value, providing a degree of margin resilience for the business in future periods.

Residential and Development  
Chief Executive, Steve Evans  
(left) at turning the sod at  
Fletcher Living® Ōkahukura  
site in Albany.

#### Financial Summary Year ended 30 June

|                                    | 2023<br>NZ\$M | 2022<br>NZ\$M |
|------------------------------------|---------------|---------------|
| Gross revenue                      | 607           | 692           |
| External revenue                   | 594           | 680           |
| EBIT <sup>(1)</sup>                | 147           | 217           |
| EBIT margin                        | 24.2%         | 31.4%         |
| Funds                              | 915           | 651           |
| ROFE <sup>(2)</sup>                | 16%           | 33%           |
| Trading cash flow                  | (107)         | 107           |
| Capital expenditure <sup>(3)</sup> | 23            | 8             |

| EBIT <sup>(1)</sup><br>Year ended 30 June | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-------------------------------------------|---------------|---------------|
| Fletcher Residential                      | 112           | 169           |
| Industrial Development                    | 35            | 48            |
| <b>Total</b>                              | <b>147</b>    | <b>217</b>    |

(1) The EBIT result includes revaluation gains totalling \$16 million. This consists of \$10 million gain from transfer of land from Fletcher Living® to Vivid Living® (2022: \$9 million) and \$6 million gain on revaluation of Vivid Living® investment property (2022: nil).

(2) EBIT / closing funds.

(3) Capital expenditure includes investment property development.

#### Our Residential and Development businesses

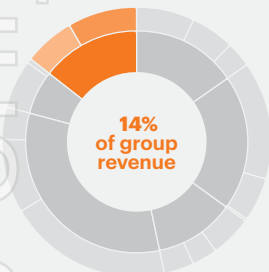
vivid living.

**Fletcher Living**  
Love your new home

**CLEVER  
CORE**  
New Zealand

## Revenue

**\$1,325m**



## Revenue Weighted Sector Exposure

- 76% Infrastructure
- 24% Commercial

## EBIT\*

### EBIT\* margin

1.8% — 2.4%

28 FY22 32 FY23

ROFE: 38%

\* before significant items

## Safety

2.9 (TRIFR<sup>3</sup>)

## Environment

41,000 tCO<sub>2</sub>e Carbon emissions<sup>1</sup>

## People

25 (eNPS)

<sup>1</sup> Combined Scope 1 & 2 carbon emissions with an allocation of Corporate emissions

# Construction

The Construction division reported gross revenue of \$1,325 million, which was 16% lower than the prior year. EBIT before significant items (and prior to elimination of intra-Group margin) was \$32 million, compared \$28 million in the prior year.

The reduction in revenue relative to FY22 was driven by the reducing volume of work on legacy roading and vertical building projects. During the year, road openings were achieved on Hamilton City Edge, Peka Peka to Ōtaki and Pūhoi to Warkworth. Pūhoi to Warkworth was materially impacted in time and cost by COVID-19, with contractual claims being pursued. Work continues on NZICC with completion expected by the end of calendar 2024. Revenue to go on legacy projects is \$0.3 billion, consisting mainly of remaining works on NZICC.

In the go-forward business, Brian Perry Civil<sup>®</sup> performed well in FY23, as it executed on a strong pipeline of specialist civil work. Higgins<sup>®</sup> had a disappointing year owing to low margins on maintenance work and poor execution on a range of small construction projects. Higgins<sup>®</sup> was additionally impacted in the year by significant and numerous weather events, resulting in lower levels of plant and labour recoveries. Overall, EBIT for the division was \$32 million and EBIT margin was 2.4%, with overheads relatively flat year on year.

Significant items for the year included the additional \$255 million provisions for completion works at NZICC plus \$17 million of costs associated with the impacts of Cyclone Gabrielle on fixed plant, mobile equipment and buildings in the Hawke's Bay region. Insurance claims for Cyclone Gabrielle have been lodged with no insurance proceeds having been recognised as at 30 June 2023.

The Construction division orderbook closed the financial year at \$2.5 billion excluding legacy projects. A further \$1.8 billion of contracts are in exclusive and/or negotiated position at June 2023, including the Riverlink, Eastern Busway second phase, and Auckland Airport Taxiway Mike projects. The orderbook continues to reflect alliance projects, framework and maintenance agreements, which are lower risk forms of contracts.

Trading cash flow for the division in FY23 was an outflow of \$26 million. This comprised legacy cash outflows of \$31 million, with the balance of the business generating a \$5 million inflow.

Capital expenditure in the year of \$19 million compared to \$29 million in prior period, with a concentration of spend on cyclical replacement of civil equipment for Higgins<sup>®</sup> and Brian Perry Civil<sup>®</sup> businesses.



Construction Chief Executive, Phil Boylen (centre right), at Watercare project at Snell's Beach.

| Financial Summary<br>Year ended 30 June                | 2023<br>NZ\$M | 2022<br>NZ\$M |
|--------------------------------------------------------|---------------|---------------|
| Gross revenue <sup>(1)</sup>                           | 1,325         | 1,573         |
| External revenue                                       | 1,176         | 1,387         |
| EBIT before significant items <sup>(1, 2)</sup>        | 32            | 28            |
| EBIT margin before significant items <sup>(1, 2)</sup> | 2.4%          | 1.8%          |
| Significant items <sup>(3)</sup>                       | (273)         | (11)          |
| Funds                                                  | 85            | 278           |
| ROFE <sup>(1, 4)</sup>                                 | 38%           | 10%           |
| Trading cash flow <sup>(1)</sup>                       | (26)          | (24)          |
| Capital expenditure                                    | 19            | 29            |

(1) Prior to elimination of intra-Group margin in relation to Winstone Wallboards® Tauriko plant and Laminex® NZ Taupō Plant.

(2) EBIT before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's consolidated financial statements for the period ended 30 June 2023.

(3) Details of Significant items can be found in **note 2.2** of the consolidated financial statements.

(4) EBIT before significant items / closing funds.

Note: Revenue includes income from the Group's Vertical Buildings Business (2023: \$101 million; 2022: \$265 million), which the Group is in the process of exiting. The New Zealand International Convention Centre and Hobson Street Hotel (NZICC) represent the last projects to complete in this sector. EBIT before significant items, however, excludes any earnings from these projects.

#### Our Construction businesses

 **Fletcher**



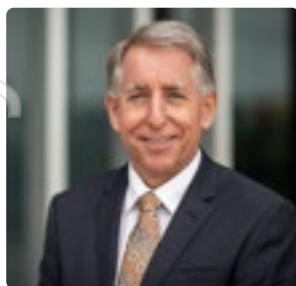
**HIGGINS**

# Our Board and Executive Team

Members of the Board and Executive team visit Waipapa Pine Limited, in Kerikeri, Northland in March 2023.



# Our Board



## Bruce Hassall

BCom, CMIInstD

Chair and Independent Non-Executive Director

**Term of office:** Appointed director 1 March 2017, last elected 2020 annual meeting.

### Board committees:

Chair of the Nominations Committee, Member of the People and Remuneration Committee.

Bruce has had a distinguished career with broad and deep commercial and strategic experience, and connections across the New Zealand economy, including in the small medium enterprise (SME), commercial, government and export sectors.

As former senior partner and CEO of PwC New Zealand, he has extensive advisory background and knowledge of the corporate environment.

Bruce is the Chair of The Farmers' Trading Company Limited and Profile Group Holdings Limited and is a director of Fonterra Co-operative Group Limited.



## Martin Brydon

MBA, FAICD, FAIM, Dip Elect Eng, Dip Elron Eng

Independent Non-Executive Director

**Term of office:** Appointed director 1 September 2018, last elected 2020 annual meeting.

### Board committees:

Member of the People and Remuneration Committee, Member of the Safety, Health, Environment and Sustainability Committee.

Martin has more than 40 years' experience in the Australian building products sector, having started his career as an indentured engineering cadet with BHP. He joined Cockburn Cement Limited in 1981, where he then served as CEO from 1998-1999. Following Cockburn Cement's merger into Adelaide Brighton in 1999, he held a number of senior management roles before his appointment as CEO and managing director in 2014. Martin retired following a distinguished 30-year career with Adelaide Brighton in January 2019.

He is Chair of ASX listed company Duratec Limited.



## Barbara Chapman

CNZM, BCom, CMIInstD

Independent Non-Executive Director

**Term of office:** Appointed director 1 September 2018, last elected 2020 annual meeting.

### Board committees:

Chair of the People and Remuneration Committee, Member of the Nominations Committee.

Barbara brings extensive and diverse trans-Tasman executive experience to the Board having served as CEO and managing director of ASB Bank for seven years and having held a number of senior executive roles responsible for marketing, communications, human resources, life insurance and retail banking in New Zealand and Australia. She has an extensive list of professional achievements to her credit, including being named New Zealand Herald's 2017 Business Leader of the Year.

In 2019, Barbara was made a Companion of the New Zealand Order of Merit for services to business.

Barbara is the Chair of Genesis Energy Limited and NZME (New Zealand Media and Entertainment) Limited, deputy Chair of The New Zealand Initiative and is a director of Bank of New Zealand.



## Peter Crowley

BEcon, BA, FAICD

Independent Non-Executive Director

**Term of office:** Appointed director 1 October 2019, last elected 2022 annual meeting.

### Board committees:

Member of the Audit and Risk Committee, Member of the Nominations Committee, Member of the Safety, Health, Environment and Sustainability Committee.

Peter has over 40 years of experience in the construction materials and building products industries across Australia, New Zealand, Asia, Europe and North America.

From 2003-2015, he served as managing director and CEO of GWA Group Limited, a leading Australian supplier of building fixtures and fittings to households and commercial premises. He also spent 18 years in the cement industry, including various chief executive roles with The Rugby Group plc. and a variety of managerial roles with Queensland Cement and its parent company Holcim.

Peter is a director of Barrambin Trading Company Pty Limited and The Riverside Coal Transport Company Pty Limited.

(1) M Brydon, R McDonald, D McKay, C Quinn were members of the Nominations Committee until 31 March 2023.



#### Rob McDonald

BCom, FCA, CMInstD  
Independent Non-Executive Director

**Term of office:** Appointed director 1 September 2018, last elected 2021 annual meeting.

#### Board committees:<sup>1</sup>

Chair of the Audit and Risk Committee, Member of the People and Remuneration Committee.

Rob's finance career spans over 30 years with a strong track record in financial and risk management, developed over two decades with Air New Zealand. As the airline's chief financial officer, he received a number of accolades during his career, including CFO of the Year in the Deloitte Top 200 in 2015 and the Fairfax Media New Zealand CFO of the Year award in 2010.

Rob is the Chair of Contact Energy Limited, a director of AIA New Zealand Limited and the Chartered Accountants of Australia and New Zealand, and a member of the University of Auckland Council.



#### Doug McKay

ONZM, BA, AMP (Harvard), CFInstD

Independent Non-Executive Director

**Term of office:** Appointed director 1 September 2018, last elected 2021 annual meeting.

#### Board committees:<sup>1</sup>

Chair of the Safety, Health, Environment and Sustainability Committee, Member of the Audit and Risk Committee

Doug brings considerable business leadership and commercial experience, as the former CEO of major manufacturing and distribution businesses such as Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord and Independent Liquor, and as the inaugural CEO of the amalgamated Auckland Council.

Doug is the Chair of Bank of New Zealand, a director (and Chair elect) of Vector Limited, IAG New Zealand Limited and National Australia Bank. Doug's previous governance experience includes directorships in Ryman Healthcare, Eden Park Trust, Genesis Energy and other prominent New Zealand companies.

Doug is a chartered fellow of the New Zealand Institute of Directors. In 2015, he was made an Officer of the New Zealand Order of Merit for services to business and local government.



#### Cathy Quinn

ONZM, LLB, CMInstD

Independent Non-Executive Director

**Term of office:** Appointed director 1 September 2018, last elected 2021 annual meeting.

#### Board committees:<sup>1</sup>

Member of the Audit and Risk Committee, Member of the Safety, Health, Environment and Sustainability Committee.

Cathy practised as one of New Zealand's foremost commercial and corporate lawyers for over 30 years. In 2016, Cathy was made an Officer of the New Zealand Order of Merit for services to law and women.

Cathy is a director of Fonterra Co-operative Group Limited and Rangatira Limited, chairs Tourism Holdings Limited and Fertility Associates Holdings Limited, and is Pro-Chancellor of the University of Auckland Council.



#### Sandra Dodds

BCom, FCA, GAICD

As announced in June 2023, Sandra Dodds was appointed an independent non-executive director of Fletcher Building Limited and Fletcher Building Industries Limited, effective 1 September 2023, and will stand for election at Fletcher Building's Annual Shareholders' Meeting in October 2023.

(1) M Brydon, R McDonald, D McKay, C Quinn were members of the Nominations Committee until 31 March 2023.

# Executive Team



**Ross Taylor**  
Chief Executive Officer



**Bevan McKenzie**  
Chief Financial Officer



**Phil Boylen**  
Chief Executive Construction



**Claire Carroll**  
Chief People Officer



**Andrew Clarke**  
Group General Counsel and  
Company Secretary



**Wendi Croft**  
Chief Health and Safety Officer



**Steve Evans**  
Chief Executive Residential  
and Development



**Dean Fradgley**  
Chief Executive Australia



**Joe Locandro**  
Chief Information Officer



**Hamish McBeath**  
Chief Executive Building Products



**Bruce McEwen**  
Chief Executive Distribution



**Nick Traber**  
Chief Executive Concrete

For the full biographies of our Executive Team, please see [www.fletcherbuilding.com/about-us/board-and-management](http://www.fletcherbuilding.com/about-us/board-and-management).



Winstone Wallboards® project director, Stewart Vaughan, onsite at the new Tauriko GIB® facility.

# Corporate Governance

The Board is committed to ensuring that Fletcher Building has appropriate corporate governance arrangements in place that are consistent with the size and nature of the Group's operations.

At Fletcher Building, governance is about creating a strong and principled ethics-based culture, where accountability and transparency improve the quality and clarity of decision-making within the Group. The primary objective is to create and adhere to a corporate culture that is open and transparent, develops capabilities, and identifies opportunities to create value for our stakeholders.

The Group's approach to applying the principles and recommendations outlined in the NZX Corporate Governance Code dated 17 June 2022 ("the Code") is set out below (including where its practice materially differs from the Code). The Group's constitution, the Board and committee charters, code of conduct and policies referred to in this statement are available to view on our website at [fletcherbuilding.com/investor-centre/corporate-governance](https://fletcherbuilding.com/investor-centre/corporate-governance).

This governance statement is current as at 30 June 2023 and was approved by the Board on 15 August 2023.

## Principle 1 – Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

### CODE OF CONDUCT

The Group has a Code of Conduct with which all directors, senior executives and employees are required to comply. The Code of Conduct documents minimum standards of ethical behaviour, the Group's purpose and values, operating safely and responsibly, acting with integrity and honesty, protecting our assets, complying with the law, and speaking up.

In addition, the Group's Anti-bribery and Corruption Policy provides for a zero-tolerance approach to bribery and corruption, whether in the private or public sector, anywhere in the world. The policy also sets out expectations around giving and receiving gifts, charitable donations and dealings with business partners. The policy notes that political donations are not permitted without approval of the Board. No requests for such approval were made in FY23. All Fletcher Building personnel must adhere strictly to the requirements of this policy. There were no reported breaches of this policy in FY23.

Fletcher Building has a free phone and online service ("FBUCall") which can be used by any directors and employees of Fletcher Building Limited and its subsidiaries ("Fletcher Building personnel"), to report suspected unacceptable, unethical or illegal behaviour in the workplace. This service is operated by independent external providers so calls are kept anonymous.

Fletcher Building strongly believes in upholding human rights across all its business operations. Human rights are fundamental civil, political, economic and social rights and freedoms that every human is entitled to without discrimination and include the right to be treated decently at work, to express opinions and beliefs without fear of recrimination, to have privacy, and to be free from harassment, abuse or discrimination. Our Human Rights Policy describes how Fletcher Building will uphold and monitor human rights within its business operations.

The Modern Slavery Act 2018 is Australian legislation which commenced on 1 January 2019. Our Human Rights Policy includes the statement that Fletcher Building prohibits the use of all forms of forced labour, including indentured labour, bonded labour, prison labour, modern forms of slavery, and any form of human trafficking within our supply chain. Modern Slavery Statements are reported to the Australian Border Force and published on our website and in the online modern slavery register controlled by the Australian Border Force.

### SECURITIES TRADING POLICY

The Group has a Securities Trading Policy which applies to all Fletcher Building personnel, and their related persons.

The policy also applies to any Fletcher Building secondee, adviser or contractor who is in possession of material information that is not available to the market and who intends to trade, or advise or encourage others to trade, in listed securities of Fletcher Building or any of its subsidiaries.

The policy employs the use of black out periods to restrict persons covered by the Securities Trading Policy who are more likely to have knowledge of, or access to, inside information from trading. This group of personnel must notify the Company Secretary of their intent to trade. In addition, through our share registry, Computershare Investor Services Limited (Computershare), we actively monitor trading in Fletcher Building shares by senior personnel.

## Principle 2 – Board Composition and Performance

“To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.”

### BOARD’S ROLES AND RESPONSIBILITIES

The role of the Board is to provide overall strategic guidance and effective oversight of management for the purposes of protecting and enhancing the value of Fletcher Building assets in the best interests of the Group. The Board has statutory responsibility for the affairs and activities of the Group, which in practice is achieved through delegation to the CEO who is charged with the day-to-day leadership and management of the Group.

The Board’s roles and responsibilities are formalised in a Board Charter, which is available on the Group’s website. The Board Charter sets out those functions that are delegated to management and those that are reserved for the Board.

### NOMINATION AND APPOINTMENT OF DIRECTORS

Procedures for the appointment and removal of directors are governed by the Group’s constitution. The Nominations Committee makes recommendations to the Board in respect of Board and committee composition and, when required, identifies individuals it considers to be qualified to become Board members.

Before a person is appointed to the Board, checks as to the person’s character, experience, education, criminal record and bankruptcy history are conducted. Each director receives a letter formalising his or her appointment. That letter outlines the key terms and conditions of his or her appointment, including Fletcher Building’s expectations of the role of director, and is required to be countersigned confirming agreement.

### DIRECTOR INDEPENDENCE

The Group acknowledges the importance of having independent directors who have an appropriate balance of skills to optimise the performance of the Group.

The Board currently comprises seven directors, with a wide range of skills and experience. The appointment of an eighth director on 1 September 2023 has been announced. The qualifications and experience of each of the directors, including length of service, are set out in “Our Board” section.

The factors that the Board will consider in deciding whether a director is ‘independent’ are set out Appendix A to the Nominations Committee Charter. Any director who has a change in relevant circumstance to any of those factors must immediately notify the Chair of that change so that his or her independence can be re-assessed. If there is a change in the Board’s determination, it will be announced to the market. The Board considers all the current directors as at 30 June 2023 to be independent.

The Chair is an independent director and is not the CEO. In addition, the Chair of the Audit and Risk Committee is not the Chair of the Board and, pursuant to its charter, all members of this committee are non-executive and independent directors.

## INCLUSION AND DIVERSITY

Fletcher Building's Inclusion and Diversity Policy is available on the Group's website. The People and Remuneration Committee annually reviews progress against inclusion and diversity initiatives developed by the Group to deliver outcomes against the policy.

The Board is satisfied with the initiatives being implemented by the Group and its performance with respect to the Inclusion and Diversity Policy. Our inclusion and diversity strategy, set in 2019, concentrates on three dimensions: greater female representation, more diverse ethnicity in leadership and creating an inclusive culture.

We are members of the Champions for Change network in New Zealand and continue to provide diversity reporting as input into the Champions for Change Annual Diversity Report. This report provides a benchmark against appropriate external comparators as per current policy requirements. Participating in the report holds us accountable year on year to increase our representation of women across our business at all levels.

Our goal to increase annually females in operational roles, at both a leadership and individual contributor level, continues. The original targeted increase of 1% across the Group each year was achieved in FY23 and has helped to shift mindsets and build confidence and momentum. We now have strong foundations to set a more ambitious but achievable goal of 30% women in leader and individual contributor roles by the end of FY27.

Throughout this year, we have focused our efforts on creating targeted Gender Action Plans for each business unit to support us achieving our FY27 gender goal. These business plans are supported by group initiatives, including our enhanced parental leave policy, as well as development and mentoring programmes.

As announced in June 2023, Sandra Dodds will join as an independent director, effective 1 September 2023, which will increase female representation on our Board to 37.5%. Sandra will stand for election at the Annual Shareholders' Meeting in October 2023.

Our Australian division launched their first Reconciliation Action Plan that represents our commitment to tangible and impactful actions, both in the present and the future, to actively contribute to the ongoing process of reconciliation in Australia. Te Kakano, our Māori strategy was also launched this year to help our business embrace and adopt the Māori identity and world view in our business practices which will in turn create stronger relationships with mana whenua in the community.

We have strong people led Employee Action Groups to support our inclusive culture. FB Pride were instrumental in developing and launching our Gender Affirmation Leave and Transitioning at Work Guidelines. We are also pleased to have been re-accredited with the Rainbow tick through to June 2024. The results of our re-accreditation report exemplify Fletcher Building's improvement over the past year to make our workplace safer and more inclusive for our employees. Our leading gender-neutral parental leave policy (introduced in FY22, and strongly advocated for by the Equality Network) has also been featured on the New Zealand Parental Leave Register this year.

Comparison of gender composition within Fletcher Building between 30 June 2022 and 30 June 2023 is set out in the table below.

|                                  | 2023                   |          |                               | 2022     |          |                               |
|----------------------------------|------------------------|----------|-------------------------------|----------|----------|-------------------------------|
|                                  | Female                 | Male     | Gender Diverse <sup>(2)</sup> | Female   | Male     | Gender Diverse <sup>(2)</sup> |
| Board of directors               | 2 (29%) <sup>(1)</sup> | 5 (71%)  | 0 (0%)                        | 2 (29%)  | 5 (71%)  | 0 (0%)                        |
| Executive committee              | 2 (17%)                | 10 (83%) | 0 (0%)                        | 2 (17%)  | 10 (83%) | 0 (0%)                        |
| Senior management <sup>(3)</sup> | 19 (26%)               | 55 (74%) | 0 (0%)                        | 18 (24%) | 57 (76%) | 0 (0%)                        |
| All employees                    | 25%                    | 75%      | 0%                            | 24%      | 76%      | 0%                            |

(1) In June 2023, Sandra Dodds agreed to join the Board, effective 1 September, taking female representation to 37.5%.

(2) Pursuant to NZX Listing Rule 3.8.1(c), gender diverse data was introduced to annual report reporting in June 2022.

(3) Senior management for these purposes includes any leader who reports to a member of the executive committee.

## BOARD SKILLS MATRIX

The Board has adopted a skills matrix which takes account of the breadth of the Group's business interests and the nature of the Group's strategic focus. Skills and diversity that are relatively underweight are considered when making appointments to the Board. The table below shows the representation of expertise among the current directors for the Board as a whole.

| Business context             | Capability                                | Key elements                                                                                           | Director expertise                                                                    |
|------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Product and market knowledge | Industry                                  | Manufacturing and distribution / land and property development / construction and infrastructure       |    |
|                              |                                           | New Zealand / Australia building products sector                                                       |    |
| Functional Expertise         | Financial expertise                       | Prior CFO, Audit and Risk Committee Chair experience, financial risk management                        |    |
|                              | Commercial depth                          | Business operations at scale, commercialisation of research-based innovation                           |    |
|                              | Technology and digital innovation         | Cybersecurity, data analytics, disruptive technology, digital platforms                                |    |
|                              | Sales and go-to-market                    | Marketing, retail, service delivery, customer engagement, omnichannel                                  |    |
|                              | M&A, divestments, corporate restructuring | M&A, divestments, corporate and balance sheet structuring                                              |    |
|                              | Environmental, social and governance      | Shareholder engagement, sustainability frameworks, ESG indexes and reporting                           |   |
|                              | Government, legal, regulatory             | Engagement with government stakeholders, legal, policy and regulatory environments, NZX/ASX experience |  |
|                              | Health and safety                         | Safety standards and best practice                                                                     |  |
|                              | People, culture transformation            | Leading transformation / cultural turnaround, talent management and remuneration                       |  |

Key:  Very strong  Strong  Solid  Some gaps

This key represents the assessment of the strength of the skills and experience of the Board as a whole.

## DIRECTOR INDUCTION AND DEVELOPMENT

The Board conducts induction and continuing development for directors, which includes visits to Group operations and briefings from key executives and industry experts. Directors conducted site visits to observe first-hand the safety and other management practices and business responses to issues. In addition, all directors carried out an in-depth cyber training workshop which included simulating a cyber crisis situation.

## BOARD PERFORMANCE

Reviews of the performance of the Board and individual directors are carried out to assist the Board as a whole and individual directors to perform to a high standard.

Further to comprehensive reviews of its performance and processes completed in 2019 and 2021, the Board conducted a performance review in 2023 with the assistance of the NZ Institute of Directors. The next comprehensive review is scheduled for early 2024.

### Principle 3 – Board Committees

“The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.”

In accordance with the Board Charter, committees have been set up to enhance the Board’s effectiveness in key areas, while still retaining overall responsibility. As at 30 June 2023, the Board committees were:

- Audit and Risk Committee (ARC)<sup>(1)</sup>
- Nominations Committee
- People and Remuneration Committee
- Safety, Health, Environment and Sustainability Committee (SHES)<sup>(1)</sup>

Each committee is governed by a charter setting out its roles and responsibilities (a copy of which is available on the Group’s website). Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so. Employees only attend committee meetings at the invitation of the particular committee. From time to time, the Board may create ad-hoc committees to examine specific issues on its behalf.

| Committee                                                | Roles and Responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Members as at 30 June 2023                                                |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Audit and Risk Committee                                 | The role of the ARC is to advise and assist the Board in discharging the responsibilities with respect to external financial reporting, internal control environment, internal audit and external audit functions, and risk management practices.                                                                                                                                                                                                                                                  | Rob McDonald (Chair)<br>Peter Crowley<br>Doug McKay<br>Cathy Quinn        |
| Nominations Committee                                    | The committee oversees all matters relevant to the composition of the Board and its committees (including renewal, succession, independence, and diversity), Board performance, and professional development for directors.                                                                                                                                                                                                                                                                        | Bruce Hassall (Chair)<br>Barbara Chapman<br>Peter Crowley                 |
| People and Remuneration Committee                        | The principal role of the committee is to oversee and regulate compensation and organisation matters affecting the Group, including remuneration and benefits, people-related policies (including diversity), performance and remuneration of the Group’s senior executives and management development, and succession planning of the CEO and his direct reports.                                                                                                                                 | Barbara Chapman (Chair)<br>Martin Brydon<br>Bruce Hassall<br>Rob McDonald |
| Safety, Health, Environment and Sustainability Committee | The role of the committee is to support and advise the Board on strategies related to safety, health, environment, and sustainability (SHES); monitor emerging trends; oversee management of risks, opportunities and impacts; review SHES governance framework and management systems; monitor performance of related targets and commitments; incorporate appropriate metrics into operating frameworks and reporting; and approve public disclosures related to its roles and responsibilities. | Doug McKay (Chair)<br>Martin Brydon<br>Peter Crowley<br>Cathy Quinn       |

(1) As announced in June 2023, Sandra Dodds agreed to be appointed an independent director of Fletcher Building Limited and Fletcher Building Industries Limited, effective 1 September 2023. Ms Dodds will join the Audit and Risk Committee and the Safety, Health, Environment and Sustainability Committee.

## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The table below shows directors' attendance at the Board and committee meetings during the year ended 30 June 2023.

|                                      | Board     | Audit and Risk Committee | Nominations Committee <sup>(2)</sup> | People and Remuneration Committee | Safety, Health, Environment and Sustainability Committee |
|--------------------------------------|-----------|--------------------------|--------------------------------------|-----------------------------------|----------------------------------------------------------|
| <b>Number of meetings held</b>       | <b>11</b> | <b>4</b>                 | <b>3</b>                             | <b>3</b>                          | <b>4</b>                                                 |
| Bruce Hassall (Chair) <sup>(1)</sup> | 11        | 2                        | 3                                    | 3                                 | 1                                                        |
| Martin Brydon                        | 10        |                          | 3                                    | 3                                 | 3                                                        |
| Barbara Chapman                      | 11        |                          | 3                                    | 3                                 |                                                          |
| Peter Crowley                        | 11        | 4                        | 3                                    |                                   | 4                                                        |
| Rob McDonald                         | 11        | 4                        | 3                                    | 3                                 |                                                          |
| Doug McKay                           | 11        | 4                        | 3                                    |                                   | 4                                                        |
| Cathy Quinn                          | 11        | 4                        | 3                                    |                                   | 4                                                        |

(1) Bruce Hassall attended Committee meetings in an ex officio capacity.

(2) From April 2023, the members of the Nominations Committee are Bruce Hassall, Barbara Chapman and Peter Crowley. Prior to that date all directors were members of this Committee. Martin Brydon, Rob McDonald, Doug McKay and Cathy Quinn attended June 2023 Nominations Committee meeting in an ex officio capacity.

The directors' meetings referred to in the table above do not include additional ad hoc or transactional committee meetings held through the year.

## TAKEOVER PROTOCOLS

The Board has established detailed protocols that set out the procedure to be followed if there were a takeover offer for the Group, including any communication between Group insiders and the bidder.

## Principle 4 – Reporting and Disclosure

“The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

### CONTINUOUS DISCLOSURE

Fletcher Building is committed to providing all of our investors with timely access to full and accurate material information about the Group. Our Disclosure Policy sets out the internal processes designed to enable the Group to comply with the disclosure obligations of the NZX and ASX. The Board has adopted this policy, which applies to all members of the Board and executive, all employees of Fletcher Building and its affiliated entities, as well as consultants, contractors and other service providers where they have a relevant contractual obligation to Fletcher Building or one of our businesses. The Disclosure Policy is available on the Group's website.

Directors formally consider at each Board meeting whether there is relevant material information which should be disclosed to the market.

### DISCLOSURE OF CODES AND CHARTERS

All of our key governance documents (including the Code of Conduct, key corporate policies and Board and committee charters) are available on our website at [fletcherbuilding.com/investor-centre/corporate-governance](https://fletcherbuilding.com/investor-centre/corporate-governance).

### INTEGRITY IN NON-FINANCIAL REPORTING

The Board has approved an overarching Sustainability Policy and a sustainability strategy for the business.

That strategy was developed by evaluating non-financial environmental, social and governance issues that are material to the business. It includes non-financial goals and measures for the business. The strategy and progress measures are published on our website.

Progress against the strategy is reported to the Board Committee responsible for the strategy area, as determined in each board charter.

Annual progress against the non-financial measures in the sustainability strategy goals and measures are reviewed by management and by the relevant Board Committee. This internal review covers matters including the methodology applied to calculate the measure (with reference to external benchmarks, frameworks, and global standards if relevant); the coverage of the measure; the completeness of the measure; any key assumptions in relation to the measure; the comparability of the measure to historic reporting; the materiality of the measure; and management's confidence that the measure and supporting information is materially correct.

#### Climate-related reporting

In addition to the internal review for Group measures described above, the Group receives third party assurance on reported greenhouse gas emissions for Scope 1, 2 and 3. The assurance statement is publicly available on our website.

The Group also issues a statement in relation to Climate-related risks, which covers aspects required under the TCFD framework. Significant transitional risks resulting from climate change are reported to the Safety, Health, Environment and Sustainability Committee and significant physical risks are included in the risk management process for the business and reported to the Audit and Risk Committee. These risks are summarised in a Climate-related Disclosure document which is available on our website.

### NEW ZEALAND CLIMATE-RELATED DISCLOSURE FRAMEWORK

In December 2022, the External Reporting Board (XRB) issued the climate-related disclosure (CRD) framework for New Zealand which aligns closely with the emerging international standards, primarily the standard published by the International Sustainability Standards Board (ISSB); IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

The framework includes:

- Aotearoa New Zealand Climate Standard 1 (NZ CS 1): Climate-related disclosures;
- Aotearoa New Zealand Climate Standard 2 (NZ CS 2): Adoption of Aotearoa New Zealand Climate Standards (i.e. transitional provisions); and
- Aotearoa New Zealand Climate Standard 3 (NZ CS 3): General Requirements for Climate-related disclosures.

This framework on climate-related disclosures is mandatory for Fletcher Building as a climate reporting entity for accounting periods commencing on or after 1 January 2023.

Fletcher Building intends to provide a separate disclosure on this matter for the 30 June 2024 reporting period.

## Principle 5 – Remuneration

“The remuneration of directors and executives should be transparent, fair and reasonable.”

Fletcher Building’s remuneration strategy is designed to attract, retain and motivate high calibre people at all levels of the organisation with remuneration programmes that are market-competitive, flexible and affordable. Our frameworks provide incentive to drive for both annual and long-term results, and to maximise shareholder value.

Our practices for setting remuneration are detailed in our Remuneration Policy. The policy is governed by the People and Remuneration Committee in line with its charter, which is available on our website.

The ‘Remuneration Report’ section details the remuneration framework of Fletcher Building, as well as the remuneration of the directors, the CEO and other executives, and senior management. This includes a discussion on share-based remuneration.

## Principle 6 – Risk Management

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

Fletcher Building’s risk management framework is aligned with ISO31000: 2018 Risk Management – Principles and Guidelines standard. The purpose of the risk management framework is to identify, assess, control, monitor and report the key risks we face so that the Group can achieve its objectives and protect its staff, customers and reputation. The framework provides a consistent structure for risk management and is aligned with Group strategy.

The Group’s risk management framework is based on the three lines of defence model, as shown in Figure 1 below. Responsibility for operational risk management sits with the managers in the individual business units and the divisional chief executives.

Our risk management and assurance processes support this through our Group functions and are ultimately overseen by the Board and the Executive Leadership Team. A dedicated internal audit team takes a risk-based approach to auditing key business activities and reports directly to the Audit and Risk Committee (ARC). In this reporting period, the Group commenced additional reporting to the Safety, Health, Environment and Sustainability Committee (SHES) on responsible procurement processes and practices and Fletcher Building’s approach to management of human rights including modern slavery aspects.

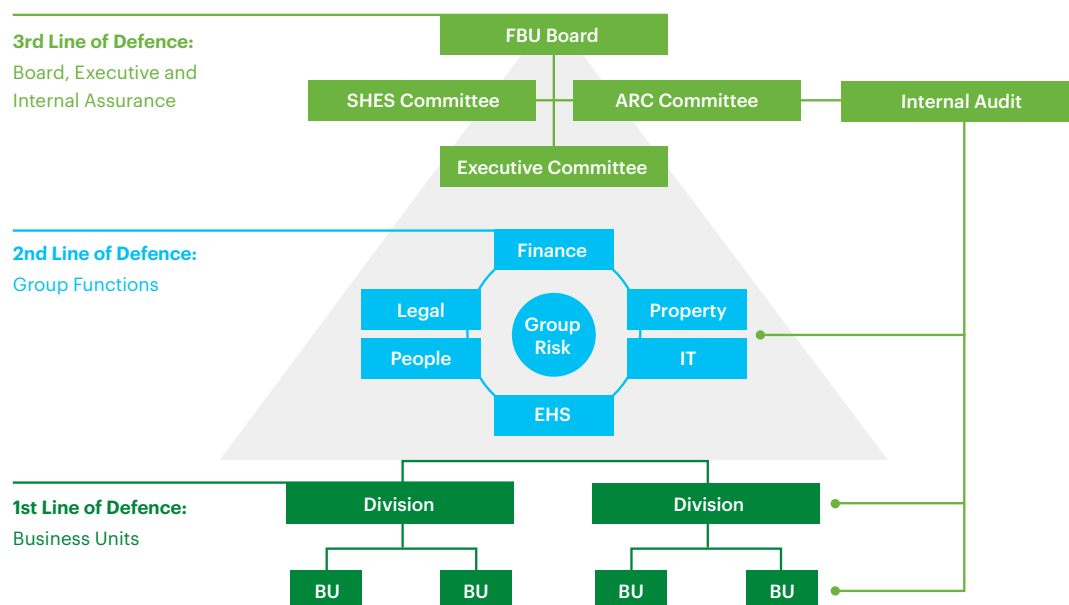


Figure 1

As part of its risk management responsibility, the Audit and Risk Committee receives regular reports of the existing and emerging key risks, progress on the closure of recommendations that are generated through the risk engineering programme, current and target risk ratings as well as controls to mitigate or manage risks. This includes key risks, uncertainties and judgments on key construction projects as disclosed in **note 2.6** of the consolidated financial statements. The SHES Committee and the People and Remuneration Committee also periodically receive risk updates related to matters specifically covered by the relevant board charters.

## ACTIVITIES IN FY23

In FY23, the Group continued its focus on risk management in four key areas: governance and reporting, response and recovery advice, risk management expertise and guidance, and business resilience.

A total of 25 risk workshops were held with the individual business unit leadership teams in FY23. These workshops are a key component of the Group's risk management approach and assist in developing a bottom-up reporting process. Additionally, the risk workshops process supports the individual business units' leadership teams to consider that the appropriate risk management strategies are being pursued.

During FY23, a review of the Group's significant supply chain exposures was completed focusing on risk management strategies being deployed to manage disruptions. Several initiatives to improve the Group's preparedness in respect of cyber events were also completed through FY23.

Fletcher Building utilises a number of external experts to enhance risk management and help manage some of its key risks, such as business resilience, product quality and information security. As part of our risk engineering programme, external engineers conducted 28 site surveys, including seismic assessments for 4 of our Christchurch sites. The reports and recommendations produced from these site surveys provide valuable risk and resilience insights to Group management as well as our insurers. In relation to information security, we use the international NIST Cybersecurity Framework to help reduce our risk and protect our network data.

We have continued our product quality assurance programme with the assistance of external product quality auditors surveying selected manufacturing facilities. These audits assess the effectiveness of existing controls and processes to assist the continued evolution of the Group's product quality systems.

In FY22, the Group appointed Aon New Zealand to assess climate related transitional and physical related risks and issued its first **Climate-related Risk Disclosure**. The physical risk assessment was a refresh of an exercise completed by Aon New Zealand in 2020 using the 'reasonable worst case' climate scenario known as RCP8.5 against a 2030 and 2070 timeframe. The assessment focused on a number of climate-related hazards, including rainfall, temperature, sea level rise and extreme storm events. The assessment generated a number of key outputs including:

- no material change in risk is expected in the FY30 time frame;
- some change in risk is expected for the FY70 timeframe due to changes in climate stressors; and
- less than 2% of the Group's asset value has high or extreme flood hazard exposure.

As part of this FY22 assessment, AON supported the Group to assess transitional risks and opportunities in the areas of policy, regulation, market risk, technology risk and reputational risk within the short to medium term. Key transitional risks and opportunities were also included in the FY22 disclosure.

In FY23, the Group reviewed sector-wide risks as part of the New Zealand property sector Climate-Related Disclosures group, which was convened to develop consistent climate risk scenarios for property sector entities to use as part of meeting incoming mandatory climate risk reporting requirements in New Zealand. For the Group, these mandatory reporting requirements will apply for our FY24 reporting year, and therefore in FY24, the group will expand its climate risk assessment to encompass the three scenarios developed for the property sector and will include these in a FY24 Climate-related Risk Disclosure, to meet mandatory disclosure requirements.

## KEY RISKS

The Fletcher Building risk management framework is focused on ten key commercial (non-health and safety) risks that the Group faces across its business. However, these risks are dynamic and new risks and uncertainties may materialise in the future due to changes in economic conditions, regulatory environment, and other factors. The current ten key risks are:

| Description                                                                                                                                                                                                                                                                               | How this risk may impact Fletcher Building                                                                                                                                                                             | How we manage this risk at Fletcher Building                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Business resilience</b>                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| A disruption to business processes, particularly the loss of key assets, may lead to an inability to undertake the activities of a business unit or the Group.                                                                                                                            | A disruption event at a key site could lead to an extended operational interruption, which may negatively impact the financial performance of a business unit and, ultimately, the Group.                              | <ul style="list-style-type: none"> <li>Business units have business continuity plans in place that address the identified operational continuity risks. Our focus is on continuous improvement to strengthen these plans in respect of various risks including natural events and in particular, flooding.</li> <li>Regular monitoring of the risk environment occurs to consider that key risks are appropriately covered by insurance, where practical and cost-effective.</li> <li>An established independent risk engineering review programme is in place for our key sites.</li> <li>The business has carried out scenario analysis for physical climate change risk in FY20 and FY22. We review short, medium, and long-term risks associated with climate change and resource availability at divisional and Group level to assess our resilience and the risk horizon.</li> </ul> |
| <b>Economic and construction downturn</b>                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| The building and construction industry in which the Group operates is fundamentally cyclical and is impacted by the macroeconomic conditions within both the New Zealand and Australian economies.                                                                                        | The failure by the Group to identify early and respond to cyclical downturns may impact financial results and cause sub-optimal business performance by business units and the Group.                                  | <ul style="list-style-type: none"> <li>Senior leadership teams of business units and divisions monitor their key markets and are supported by its Corporate centre with in-depth market analysis.</li> <li>Regular operational reviews are undertaken with businesses units and divisions as well as the Board undertaking divisional deep dives.</li> <li>Strong focus on working capital, capital expenditure and balance sheet management.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Regulatory and legal</b>                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| With the Group operating in a number of different business sectors as well as countries, it is subject to a wide range of regulatory requirements and jurisdictions. These regulations and jurisdictions can be complex, subject to change and may affect the Group's operations.         | Failure to adhere to, or adapt to changes in, the various regulatory requirements may lead to the imposition of penalties, operational disruption and/or reputational damage.                                          | <ul style="list-style-type: none"> <li>The Group has developed a broad range of policies that address the regulatory and legal risks that are faced by the businesses. A number of these policies are located at: <a href="https://fletcherbuilding.com/investor-centre/corporate-governance/">https://fletcherbuilding.com/investor-centre/corporate-governance/</a></li> <li>The Group periodically reviews emerging regulation and emerging international standards and frameworks to identify potential future regulatory changes.</li> <li>The Group's Golden Rules provide a framework for all staff on the type of contractual risks that the Group is prepared to accept.</li> </ul>                                                                                                                                                                                               |
| <b>Product quality</b>                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| The Group constructs, manufactures as well as sources from third parties a range of structures and building products that are required to meet local and international standards and regulations.                                                                                         | Products and structures manufactured, supplied and/or purchased that may not meet relevant international or local standards and regulations may lead to product recalls, remediation costs and/or financial penalties. | <ul style="list-style-type: none"> <li>Product quality control systems and processes exist within our businesses to manage this risk.</li> <li>Supplier vetting and reviews are undertaken by both our businesses, and where appropriate, by third parties.</li> <li>External experts provide independent Product Quality Review (PQR) audits on business units' manufacturing and product quality control processes.</li> <li>For more information on material product quality claims currently being managed, please refer to page 77 and <b>notes 11 and 25</b> of the consolidated financial statements.</li> </ul>                                                                                                                                                                                                                                                                    |
| <b>Supply chain</b>                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Disruption to business unit operations through the ineffective coordination and control of the organisational supply chain. The Group's supply chain may face a variety of challenges such as pandemics, logistical and public infrastructure constraints or disruption to key suppliers. | Disruption to business unit or Group operations through ineffective coordination and control of the organisational supply chain may result in operational disruption, penalties and reputational damage.               | <ul style="list-style-type: none"> <li>Business units have business continuity plans in place that look to address the identified supply chain issues.</li> <li>Where possible, business units look to establish contingent supply agreements across material/product suppliers and logistical providers.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                             | How this risk may impact Fletcher Building                                                                                                                                                                                                                                                                                                     | How we manage this risk at Fletcher Building                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>People</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| The failure by the Group to attract, retain and engage our people (including engagement with collective representation groups) negatively impacting business units or the Group.                                                                                                                                                                                                                                                                                        | The failure of the current processes to attract and retain talented staff can have a negative impact on the functioning of a business unit and the Group.<br><br>Additionally, industrial action by collective representation groups can cause operational disruption.                                                                         | <ul style="list-style-type: none"> <li>- The People and Performance function within the Group supports the business by providing advice, tools, processes and policies to drive employee, team and business performance.</li> <li>- Business units and the Group benefit from the development and learning activities provided by the central Organisational Development team.</li> <li>- FBU Say, the Group-wide employee engagement survey, provides valuable insights about staff engagement.</li> </ul>                                                                                                                                      |
| <b>Environment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Business unit operations may cause environmental damage through the failure to comply with the required environmental laws, resource consents and regulations.<br><br>Additionally, execution of strategic sustainability initiatives is required for the Group to achieve its purpose of 'improving the world around us' in relation to sustainability goals, in particular achieving a 30% reduction of carbon emissions by 2030.                                     | Failure to comply with the environmental laws, resource consents and regulations may result in imposition of penalties and reputational damage.<br><br>Additionally, a failure to meet the Group's sustainability objectives may result in decreased demand from customers for the Group's building materials.                                 | <ul style="list-style-type: none"> <li>- Business units that have potential significant environmental impacts have Environmental Management Plans in place and have monitoring processes in place for resource consents.</li> <li>- At both the Group and business unit levels, we engage with regulators on proposed changes to standards and regulations.</li> <li>- The Group has a stated sustainability strategy with short- and medium-term goals and accompanying group progress measures.</li> </ul>                                                                                                                                     |
| <b>Technology resilience</b>                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Like many businesses, Fletcher Building is dependent on information technology systems to maintain its operations.<br><br>Failure to provide reliable, resilient, adaptable and efficient technology infrastructure may impact the operations of the business units or the Group.<br><br>Additionally, the Group is also exposed to threats by third parties that can create operational disruption or result in the loss of personal information or confidential data. | Failure to provide reliable, resilient, adaptable, and efficient technology infrastructure may cause operational disruption and/or reputational damage to business units or the Group.<br><br>Failure to safeguard personal information or confidential information may also result in the imposition of penalties and reputational damage.    | <ul style="list-style-type: none"> <li>- Continued capital expenditure investment in technology systems across the Group to support our operations.</li> <li>- A dedicated team within Group Technology to address the constantly evolving cybersecurity threats that the Group faces.</li> <li>- Group-wide education and awareness training, including the Board of Directors, in relation to cyber-threats and cyber breach preparedness.</li> <li>- We use international experts and partners to enhance our cyber resiliency.</li> <li>- We proactively undertake disaster recovery planning for our systems and infrastructure.</li> </ul> |
| <b>Contractual</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| The Group has a diverse portfolio of business units and the execution of onerous contract(s) by any one of the business units may result in the Group being liable for liabilities or performance under contracts that are commercially adverse.                                                                                                                                                                                                                        | The execution of onerous contracts may have the potential to negatively impact financial performance or the reputation of a business unit or the Group.                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>- The Group has established delegated financial authorities ('DFA') that business units and the Group must adhere to.</li> <li>- The Group has developed Golden Rules which govern the way we contract with external parties.</li> <li>- For more information about risks and claims relating to our construction contracts, please see <b>note 2.6</b> of the consolidated financial statements, "Construction Accounting".</li> </ul>                                                                                                                                                                   |
| <b>Corporate reputation and social licence to operate</b>                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| The Group appreciates the privileged position it has in the communities in which it operates in and the social responsibility that it has to a wide range of stakeholders. In a diverse and ever-changing economic and social environment, the Group needs to consider whether its operations continue to address the interests of all its key stakeholders.                                                                                                            | The failure to act in a way that supports a strong corporate and social reputation for the Group with its key stakeholders (Government, investors, customers and communities) may result in adverse commercial, reputational or regulatory outcomes leading to negatively impacting the financial performance of a business unit or the Group. | <ul style="list-style-type: none"> <li>- Engagement with the communities and how we work with stakeholders takes different forms for each business unit and project.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

## IPLEX® AUSTRALIA PIPES UPDATE

As noted in the 2023 Interim Financial Results and an NZX announcement on 17 April 2023, Iplex® Australia has received a number of product quality complaints relating to a hot and cold water polybutylene pipe product it previously manufactured (under the name "Pro-fit"). The complaints relate to leaks in homes, primarily built by group home builders in Western Australia, which have required repair or replacement of the pipes and, in some cases, damage to the affected homes.

Reports to Iplex® Australia are that, to date, about 1,500 (up from about 1,200 in April) of the houses constructed in Western Australia using Pro-fit in the period mid-2017 to mid-2022 have experienced leaks. Iplex® Australia ceased the sale of Pro-fit in mid-2022.

The Pro-fit product was also sold into other States of Australia in that period. Reports to Iplex® Australia are that the leak rate in those other States is not materially unusual for a product of this type. The Pro-fit product was sold only in Australia.

The Western Australia building regulator (the Department of Mines, Industry Regulation and Safety, known as DMIRS) has investigated the matter. It has informed Iplex® Australia that, as foreshadowed in the Company's 17 April 2023 NZX announcement, "concerns were identified" regarding the manufacturing process used for Pro-fit by Iplex® Australia. Neither the results of those investigations or the basis for that statement have been provided to Iplex® Australia. DMIRS has referred the matter to the Australian Competition and Consumer Commission (ACCC). Iplex® Australia expects to continue to engage with both DMIRS and the ACCC on this issue. Third party plumbers and builders in Western Australia have also asserted to Iplex® Australia their belief that the cause is a manufacturing defect.

For its own part, Iplex® Australia continues to consider a range of factors which may be relevant to determining root cause. At this time, the work that Iplex® Australia has undertaken or commissioned that has been completed does not identify a manufacturing defect. Iplex® Australia's investigation into the cause(s) include a range of factors it believes needs to be considered.

In the near term, Iplex® Australia continues to work with relevant stakeholders on an appropriate path forward. That path will be informed by the cause(s) identified, whether those matters are agreed or contested, the facts and patterns observed in the data provided by all parties, whether regulator(s) and homeowners accept any proposed response plan and the availability of resources in the market to undertake work. The range of outcomes of that work plan may include product replacement in the homes where the Pro-fit product was installed, in whole or in part. There are a number of factors which may impact any work plan, including whether it extends to product that has not leaked.

As advised to the market, Iplex® Australia has made a provision for this matter of A\$15 million which is treated as a Significant Item.

That provision is not an indication of Iplex® Australia's view as to the costs it will or may incur in relation to this matter. The provision is in respect of costs expected to be incurred by Iplex® Australia in investigating this matter and providing funds to Western Australia builders who choose to take advantage of its offer to contribute to the cost of repairs and replacement work in the interim, as described in the Company's April 17 NZX announcement. Iplex® Australia has not adjusted that provision at balance date but will continue to review that treatment as facts and circumstances evolve.

Ultimately, if Iplex® Australia is found to bear some responsibility, the cost to it in rectifying homes with Pro-fit installed (as well as to meet any damages claims, fines and other costs) may be a sum that could have a material impact on the Group's financial position.

However, the extent to which Iplex® Australia is ultimately held to have any responsibility and the impact that may have on the Group is not able to be established at this time. Those matters will depend on resolution of a number of matters, including:

- the final determination as to cause(s) and the allocation of responsibility between Iplex® Australia and other parties;
- the type and scale of remediation required, including the cost of undertaking it;
- other losses suffered by third parties ultimately attributable to Iplex® Australia;
- if and how any relevant insurance policies respond; and
- the time frames over which payments may be required. For example, removing Pro-fit from houses in Western Australia may take a number of years to do, given the scale of that task and the constrained resources in the Western Australia market likely to be available to undertake that work. If Iplex® Australia was to become subject to litigation in respect of this matter, final judgment may not be reached for some time.

As these matters may continue to take some time to be identified and settled, Iplex® Australia will continue to work with relevant stakeholders including homebuilders on an appropriate path forward.

## RISK CAPTURE AND REPORTING

The risk and uncertainties that are faced by the individual business units are captured in the Group-wide risk management tool, RADAR. The information captured in RADAR enables risk management information captured at the business unit level to be disseminated at higher levels of the organisation.

The Group undertakes operational risk reporting through business unit operational reviews. This allows the Group to see how business units are making decisions in assessing risks and implementing their business strategies. It also assists the Group in understanding how different risks affect different parts of the business.

In addition to the risks captured in RADAR, specific updates on Group level impacts, such as risks associated with regulatory change, climate change and modern slavery, are reviewed annually and reported to the Board or to the relevant Board Committee.

## Principle 7 – Auditors

“The Board should ensure the quality and independence of the external audit process.”

The Audit and Risk Committee performs an annual performance assessment of the external auditor to ensure ongoing quality and effectiveness. EY is our external auditor.

The Auditor Independence Policy includes requirements for the rotation of external audit engagement partners. The Auditor Independence Policy is available on our website. In addition, the policy covers the provision of non-audit services by the Group’s auditor. Auditor’s fees and expenses paid to EY are presented within **note 6** of the consolidated financial statements included in this Annual Report. The other work performed by the external auditor beyond the statutory audit was pre-approved in accordance with the policy and is not considered to compromise independence as the services did not constitute material sums of money or relate to strategic matters affecting the Group.

Representatives from EY attend our Annual Shareholders’ Meeting each year, where they are available to answer questions from shareholders relevant to the audit.

## INTERNAL AUDIT

Fletcher Building has an internal audit function, which evaluates and improves the effectiveness of key risk management, control and governance processes. Internal audit develops an annual internal audit plan for approval by the Audit and Risk Committee and is accountable for its implementation. To provide for the independence of the internal audit function, internal audit reports functionally to the Audit and Risk Committee and administratively to the Chief Financial Officer.

## Principle 8 – Shareholder Rights and Relations

“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

## COMMUNICATING WITH SHAREHOLDERS

Fletcher Building maintains a website, which contains information about Fletcher Building’s financial performance, operational activities, corporate governance and other information of specific relevance to investors and stakeholders. The website has been enhanced to include detailed information on Fletcher Building’s ESG (environmental, social and governance) measures which allows our stakeholder community to monitor our performance and easily identify and access the processes, measures, initiatives and certifications that underpin our commitment in these areas. The core requirements on communicating with shareholders are formalised in a Shareholder Communications Policy, most recently approved in May 2022, and available on our website.

The Group operates an investor relations programme, which includes scheduled interactions with investors, analysts and other market commentators. Presentations are disclosed on the Group’s website and the NZX and ASX announcement platforms. Shareholder meetings with the Chair and other directors are facilitated throughout the year. The Chief Executive Officer, Chief Financial Officer, and at times, operational executives, present via an analysts’ and investors’ conference call after the release of the interim and full year results and answer questions raised by analysts and investors. A hybrid investor day was held in June 2023 with presentations by the Chief Executive Officer, Chief Financial Officer and operational executives. Each presentation included question and answer sessions. Site visits also form part of the investor relations programme throughout the year. The Board bi-annually obtains research on the perceptions that the New Zealand and Australian investment community has of the Group, management and performance. In 2023, the Board has been addressing governance matters including increasing the minimum share ownership by directors, increasing female representation to the Board, and reducing the Nominations Committee to three members. In addition, all directors carried out an in-depth cyber training workshop which included simulating a cyber crisis situation.

## ELECTRONIC COMMUNICATIONS

Shareholders have the option to receive communications from, and send communications to, Fletcher Building in electronic form. Shareholders are actively encouraged to take up this option.

## SHAREHOLDER VOTING

Major decisions that may change the nature of Fletcher Building are presented as resolutions at the Annual Shareholders’ Meeting and voted on by shareholders. There have been no major decisions made during the year which would change the nature of Fletcher Building and which would require shareholder approval.

## ANNUAL SHAREHOLDERS’ MEETING

All shareholders are entitled to attend the Group’s Annual Shareholders’ Meeting, either in person or by a representative. Resolutions at the shareholders’ meeting are by way of a poll, where each shareholder has one vote per share. Fletcher Building encourages shareholders to ask questions in advance of the meeting, to encourage further engagement with the Group and provide management with a view of the concerns of the Group’s shareholders. Our notice of meeting is sent to all our shareholders and is posted on our website at least 20 working days prior to the meeting.

# Sustainability Materiality and Methodology

## MATERIALITY ANALYSIS

As a large business, we recognise our operations have an impact on many people. Our sustainability strategy is based on what is most important to our business, people, communities, customers, key stakeholders and investors; where we have the most impact; and where our actions can lead to meaningful change. These are our material sustainability impacts, and they form the basis of the goals within our sustainability strategy.

### Material impacts assessment

In FY22 we engaged an independent specialist consultancy to conduct a materiality assessment. The assessment followed 2021 Global Reporting Initiative (GRI) Standards, in particular GRI 3: Material Topics, to identify and assess our impacts. Our FY18 materiality assessment served as a starting point, complemented by analysis of external benchmarks including those from, at that time, the Sustainability Accounting Standards Board (SASB), the Living Standards Framework, leading industry peers, and sustainability investor indices including the Dow Jones Sustainability Index (DJSI) and MSCI together with internal workshops with subject matter experts from several of our divisions.

Following the principle of double materiality, the analysis was designed to look at external environmental, social and governance impacts on our organisation and also to identify our impacts on the economy, environment, and people across Fletcher Building's activities and business relationships. The impacts identified included those caused by our activities, impacts where our activities contribute to an impact, and impacts that are neither caused nor contributed to by our activities but where our operations are associated with the impact. The severity of the impacts was assessed based on the scale of the impact, scope of the impact, and the degree to which remediation of the impact is possible.

### Stakeholder insights

As part of the assessment, our consultant conducted confidential interviews with selected subject matter experts, following the AA1000 Stakeholder Engagement Standard (SES). Representatives from the public sector, infrastructure providers, industry peers and experts, industry associations, sustainability consultancy, investor experts, academia and a cohort of early career employees from within our business were interviewed. The interviews provided specific insights on the significance of different impacts; expectations and requirements about performance; and how Fletcher Building could further accelerate and refine its approach to sustainability.

The key insights from the interviews were that stakeholders want to see sustainability embedded within the business strategy for Fletcher Building, and for the business to look at impacts and opportunities to improve sustainability not just within the business but across the value chain through partnering and providing thought leadership within our sectors of operation. Internal and external stakeholders saw great potential for Fletcher Building to contribute to society, largely in areas we already focus on, including greenhouse gas emissions, material usage and waste, and health safety and wellbeing.

### Material impacts and integration with our strategy

The assessment identified 26 sustainability impacts that are material for Fletcher Building, which we prioritised to 12 impacts with highest severity. These fall into the three broad categories summarised below:

- **Climate change impacts:** Scope 1 and Scope 2 emissions and climate mitigation; Scope 3 supply chain emissions and embodied carbon, and Scope 3 emissions from use of our products
- **Resources, emissions and the circular economy:** Use of raw materials; operational waste and resources efficiency; modern methods of construction and innovation; circularity in construction; ecosystem impacts; and healthy products
- **Health, safety and wellbeing:** Health, safety and wellbeing of our workforce; employment practices; and employee, community and civic engagement

Both the material impacts and the stakeholder insights from our FY22 materiality analysis have been integrated into our refreshed FY23 sustainability strategy, which was signed off by our board in September 2022.

**Climate change impacts** are addressed in the *Net positive environmental impact* strategic goal, as well as in the net zero carbon group measure. **Resources, emissions and the circular economy impacts** are addressed in the *Leading the way in sustainable building products and solutions* and *Circular economy commitment across our business* goals, as well as the *Revenue from sustainably certified products* and *Waste avoided, recycled, and/or reused* measures. These goals also reflect stakeholders desire to see sustainability embedded within our business strategy and value chain. **Health, safety and wellbeing** impacts are addressed in the *Safe, diverse and inclusive workspace* and in the *Our community at the heart of what we do* goals, as well as the rest of the group measures.

As part of partnering and providing thought leadership within our sectors of operation, we are active member of the following sustainability organisations:

|                                                      |                                      |
|------------------------------------------------------|--------------------------------------|
| - Infrastructure Sustainability Council of Australia | - New Zealand Green Building Council |
| - Sustainable Business Council                       | - Green Building Council Australia   |
| - Sustainable Business Network                       | - Climate Leaders Coalition          |

Progress against the goals in our sustainability strategy is reported in the front sections of this Annual Report. We note the recent issue of ISSB standards, and will refer to these in our next assessment of material impacts.

## METHODOLOGY USED FOR NON-FINANCIAL MEASURES

### Greenhouse Gas (GHG) emissions

The Greenhouse Gas (GHG) emissions included in this report were calculated for the period from 1 July 2022 to 30 June 2023 in accordance with the GHG Protocol and ISO 14064-1:2018 International Standard for GHG Emissions Inventories and Verification. Scope 1 and Scope 2 emissions from our businesses were calculated on the equity share basis. This means that emissions from our businesses and from joint ventures we are part of have been included. For joint ventures, the percentage of emissions included is based on our percentage ownership of the joint venture.

The divisional GHG emissions included in this report represent the share of our Group GHG emissions resulting from operations within those divisions. As with Group emissions, these were calculated on the equity share basis. Divisional emissions in this report also include an allocation of corporate GHG emissions from our head office operations in New Zealand. These corporate GHG emissions have been allocated to the New Zealand divisions in proportion to the divisional contribution to overall GHG emissions for Fletcher Building.

Scope 3 emissions, those from our supply chain, were calculated in accordance with the GHG Protocol. Reported supplier data was used for circa 58% of reported emissions. For the balance of emissions, where emission factors from goods and services are published by the New Zealand or Australian governments, as applicable, we have used these factors to convert the mass, volume or other units for goods and services into tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). Where specific data on quantities of supply chain goods and services was not available, we have estimated emissions using spend based factors, using the internationally recognised DEFRA factor set, corrected for exchange rates and inflation.

As required periodically by the Greenhouse Gas Protocol accounting standard, we have re-baselined our emissions from FY18 to FY23 to account for acquisitions, divestments, methodology changes and improved availability of historic data. Re-baselined figures have been used in this report for all years. Re-baselining means that the GHG emissions and emission reductions are based on what our real-world emissions would have been for all years from, and including, FY18 if the boundary of our operations for those years had been the same as for FY23.

The main adjustments were the divestment of our Rocla® operations, the acquisition of the Laminex® Monkland operations, the acquisition of the Tumu® business, and an adjustment of the emissions factors for coal and biomass used at Golden Bay® to provide improved specificity on emissions from the actual fuels used. Collectively, these adjustments result in slightly lower reported emissions for the Group across all reporting years, including the baseline year of FY18 which changes from 1.238 m tCO<sub>2</sub>e to 1.213 m tCO<sub>2</sub>e.

Our reported Scope 3 emissions for FY23 now include data sourced directly from our largest steel and cement suppliers. By doing this, we are more accurately accounting for the emissions associated with the production of these products that we use in our operations. It is important to note that this increase does not necessarily mean that our actual emissions have increased compared with previous reporting periods. We expect that our Scope 3 emissions will have further changes in future reports as we obtain more accurate emissions data on our purchased goods and services. Our Scope 1, Scope 2 and Scope 3 emissions, including all adjustments related to the re-baselining, have been externally verified by Toitū Envirocare in accordance with ISO 14064-1:2018. Their assurance statements for FY18 to FY23 are available on our website.

### Waste diverted from landfill

The waste diverted from landfill figure included in this report is the tonnage of waste diverted from landfill, and includes waste managed as part of our principal waste contracts, which represents most of the waste generated from our operations. The figures for waste diverted from landfill do not include waste material resulting from our operations that was reused as cleanfill or hardfill, or waste used for energy recovery. The waste figures in this report do not include waste that is not managed under our principal waste contracts, and where specific waste measurements for our operations are not provided to us.

### Revenue from sustainably certified products

The revenue from sustainably certified products included in this report is revenue from products that hold a credible, third party verified, sustainability certification.

The sustainability certifications that we include are Type I environmental labelling requirements under the ISO 14024 Standard (Environmental Choice New Zealand, Good Environmental Choice Australia, Global GreenTag GreenRate) and the Type III environmental declaration requirements under the ISO 14025 Standard.

These certifications qualify for the sustainable products credits in either the Green Star or IS Rating construction sustainability ratings within New Zealand and Australia.

We calculate the revenue for sustainably certified products as a percentage of the total revenue from products made or sold by our manufacturing businesses. We exclude revenue from non-manufacturing businesses (our distribution and construction businesses) from the total revenue used for this calculation.

### Total Recordable Incident Frequency Rate (TRIFR)

Total Recordable Incident Frequency Rate (TRIFR) included in this report is the total number of recordable injuries and illnesses per million hours worked in a year by Fletcher Building.

TRIFR calculation is on a 12-month rolling period and is the total number of recordable injuries multiplied by a million and divided by total number of hours worked. Recordable injury definitions are derived from the Occupational Safety and Health Administration standards, and include Medical Treatment Injuries, Lost Time Injuries, Serious injuries and Fatal Injuries, and exclude Restricted Work Injuries. Total number of hours worked excludes holiday time and includes contractors, it is estimated where required based on work activities.

TRIFR in this report includes all employees and contractors working under Fletcher Building control or on Fletcher Building controlled sites.

### Employee Net Promotor Score (eNPS)

Employee Net Promotor Score (eNPS) included in this report is the result from a Group-wide employee engagement survey which provides insights on employees' engagement and provides them the opportunity to share their experience working for Fletcher Building. The survey is run using an external survey platform. eNPS is measured by surveying our people and measuring the difference between the promoters and detractors. This is then compared to the provider's benchmark data set, to show how Fletcher Building compares to other organisations.

eNPS is calculated by subtracting the percentage of detractors (i.e. those who gave scores of 0 – 6) from the percentage of promoters (i.e. those who gave scores of 9 – 10). The range of possible eNPS scores ranges from -100 to 100. The eNPS figure in this report is based on a survey of all permanent employees of Fletcher Building and excludes fixed term casual employees and contingent workers.

Fletcher Building changed to using eNPS in FY23. In light of this, the FY22 comparative (reported as engagement percentile using the previous methodology) has been recalculated in line with the presentation for FY23.

### Net Promotor Score (NPS)

Net Promotor Score (NPS) is a widely used measure for customer satisfaction. NPS ranges from -100 to 100 and is calculated by subtracting the percentage of detractors (i.e. those who gave survey scores of 0 – 6 out of 10) from the percentage of promoters (i.e. those who gave survey scores of 9 – 10 out of 10). NPS is measured at regular intervals via surveys at a cadence appropriate for each business. An external third-party platform is used to conduct surveys, receive and follow-up on feedback, and generate insights. Businesses refresh customer lists regularly to make sure a representative sample is surveyed.

NPS in this report includes all business units other than the Group's joint ventures and associates, newly acquired business units (Tumu®, Waipapa, Haven Kitchens and Water Filters Australia), and the Construction division.

# Remuneration Report



Winstone Wallboards®' production team leaders, Victor Peyroux (centre), with operators, Brandon Chase and Silvia Fianco, in the control room at the Tauriko GIB® facility.



“ In addition to financial returns, we are committed to having a positive impact on the environment, creating a safe, diverse and inclusive workplace, and enriching the lives of our customers and the communities in which we operate. These ESG targets are incorporated into the STI scorecards of our senior leaders to drive focus and action. ”

**Barbara Chapman**

People and Remuneration Committee Chair

### Message from the People and Remuneration Committee Chair

#### Dear Shareholders

On behalf of the Board, I am pleased to present Fletcher Building's Remuneration Report for the financial year ended 30 June 2023.

#### The year in review

Fletcher Building has continued to perform well despite softer market activity and wet weather conditions, and we remain well-positioned for growth over the longer-term. Short-term incentive (STI) outcomes of our CEO and Chief Executives range between 13% to 66% of maximum, reflecting solid performance against stretching targets set by the Board.

We take a prudent and responsible approach towards executive remuneration, tailored across each of our divisions and based on a range of financial and non-financial metrics. Based on this approach, the Executives in our Residential and Development and Construction divisions were not eligible for individual goal achievement, having not achieved their financial gateways.

In addition to financial returns, we are committed to having a positive impact on the environment, creating a safe, diverse and inclusive workplace, and enriching the lives of our customers and the communities in which we operate. Our approach to assessing this performance is guided by our sustainability strategy which includes targets of a 30% reduction in carbon emissions by FY30 (and achieving net zero by FY50), 30% women in leadership by FY27 and top quartile customer and employee engagement.

These ESG (Environmental, Social & Governance) targets are incorporated into the STI scorecards of our senior leaders to drive focus and outcomes beyond the financial year. We have been impressed by the considerable progress our teams have made this year, through applying innovative technologies and approaches to achieve these goals. This is reflected in our world-class sustainability credentials such as being a member of the 2023 S&P Sustainability Yearbook and listed in the Dow Jones Sustainability Index for Australia.

As a reminder, we introduced three changes to our executive long-term incentive (LTI) framework in FY23 to increase shareholder alignment and the link between sustainable performance and remuneration outcomes. These were the addition of ROFE (return on funds employed) as a performance measure (in addition to rTSR); removing the LTI retest dates; and aligning the grant and test dates to the Group's full year results. We also adjusted the financial vs non-financial weightings of the STI scorecard for the Group CEO and Operational leaders from 70%:30% to 65%:35% at target. This resulted in a more balanced approach between financial and non-financial measures, enabling us to better incorporate strategic ESG goals.

#### The year ahead

To carefully manage costs through the expected economic downturn, the CEO, Chief Executives and General Managers will receive no fixed remuneration increases next year. However, in lieu of a salary increase, and to motivate and engage our leaders through FY24, the STI pay-out at target for this group will increase from 100% to 110% for FY24 only. This uplift only applies to the financial component of the STI, and it is therefore closely linked to performance and is self-funded.

While we have focused on improving our pay parity position over the last three years and made good progress, some of our previous gains have been eroded. This was mainly due to hiring externally in a tight labour market, with increasing wages in a male-dominated industry. The gap increased from 3.5% in FY22 to 4.2% this year. We will undertake a comprehensive review of our practices in FY24 and introduce enhancements to close the gap.

Given the improvement of our safety performance and maturity, with TRIFR levels in some of our businesses nearing global best, we have also reviewed our approach to safety in the STI, so it aligns to our strategic approach. Further details about these and other changes are set out on the next page of this report. The remainder of the remuneration section of the Annual Report provides an overview of the remuneration framework that applied for FY23.

We have introduced a number of reporting enhancements to increase disclosure about the alignment of performance and remuneration outcomes, and to ease investor analysis. These enhancements include a 5-year summary of STI and LTI performance measure results and the CEO's remuneration outcomes; STI and LTI term sheet tables; the CEO's maximum remuneration opportunity in dollar terms; and a Frequently Asked Questions (FAQ) section.

The Committee and I would like to thank all our teams for their contribution to the achievements delivered in FY23. I invite you to review the 2023 remuneration report.

**Barbara Chapman**

People and Remuneration Committee Chair

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## 1. FY24 REMUNERATION FRAMEWORK CHANGES

The following table summarises key changes to our remuneration policies and frameworks for FY24 and beyond and provides the rationale and outcomes of these changes.

| Change                                                                                                                                                                         | Detail                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Rationale and outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A revised approach for incorporating safety performance into our short-term incentive (STI).                                                                                   | <p>For businesses with TRIFR (Total Recordable Injury Frequency Rate) &gt;2.0, the safety component of the STI will continue to include a safety lead (risk) and lag (TRIFR) measure, weighted at 5% each.</p> <p>For businesses with TRIFR &lt;2.0 (i.e. top quartile performance globally), the safety component will move to lead indicators only, weighted at 10%. TRIFR will still be tracked for these businesses, and if it increases past the overall group TRIFR, they will lose 5% of the total 10% safety weighting in the STI.</p>                                                                                                                                                                                                                                                                                                                                              | <p>As our safety performance improves and our businesses mature, we needed to review our approach to incorporating safety in the STI.</p> <p>TRIFR is at record low levels for some of our businesses (&lt;2.0). As such, using TRIFR as a target becomes less meaningful, with some businesses only experiencing incremental improvement. Therefore, we needed to look to lead measures to drive continued improvement in safety excellence.</p> <p>This approach creates closer alignment between our safety strategy (recognising our businesses can be at different stages of maturity) and the approach to safety in the STI.</p> |
| Nil fixed remuneration increases for senior leaders, and a 10% increase in STI pay-out at target for FY24 only. The uplift only applies to the financial component of the STI. | <p>The CEO, Chief Executives, and General Managers will receive no fixed remuneration increase for FY24.</p> <p>In lieu of an increase for this group, STI pay-out at target will increase from 100% to 110% for FY24 only.</p> <p>The 110% pay-out at target will be delivered via a 10% step increase when financial targets are achieved only, as follows:</p> <ul style="list-style-type: none"> <li>• straight-line between threshold to target (0% - 100%);</li> <li>• increase with a 10% step at target; and</li> <li>• straight-line between target and maximum (110% - 150%), with the maximum opportunity remaining at 150%.</li> </ul> <p>The STI uplift only applies to the financial component of the STI and the additional cost of this approach will be added to our EBIT targets – i.e. additional STI will only be achieved if more stretching EBIT targets are met.</p> | <p>Increasing the STI pay-out at target motivates and engages our senior leaders through a challenging FY24 and carefully manages costs given that this approach is performance-based and self-funded.</p>                                                                                                                                                                                                                                                                                                                                                                                                                             |

## 2. FY23 REMUNERATION FRAMEWORK

The following sections describe the remuneration framework in place during FY23.

### 2.1 The role of the People and Remuneration Committee

The principal role of the People and Remuneration Committee is broader than purely remuneration matters. Its role is to oversee and regulate remuneration, and organisation matters affecting the Group, including remuneration and benefits policies, diversity and inclusion, culture, performance and remuneration of the Group's senior executives, development and succession planning for the CEO and executives (i.e. leadership roles reporting directly to the CEO), and major organisation changes.

The People and Remuneration Committee is kept apprised of relevant market information and best practice, obtaining advice from external advisors when necessary.

Key decisions made and reviews undertaken by the People and Remuneration Committee during FY23 included: review and approval of the FY23 STI and LTI for senior leaders, review of succession depth and development for the CEO, approval of updated remuneration proposals, review of pay parity, and pension plan governance matters.

### 2.2 Remuneration strategy and framework

The remuneration framework and how it supports the strategy set out on the next page, is based on the FY23 framework.

## FY23 REMUNERATION FRAMEWORK

### Purpose

Improving the world around us through smart thinking, simply delivered

### Vision

To be the leader in New Zealand and Australian building products and solutions

### Governance

Our Board is responsible for the Group's remuneration policy, which is available on our website, with the People and Remuneration Committee assisting in the conduct of its responsibilities. A key role of the Committee is to oversee and regulate remuneration and organisation matters affecting the Group.

### Remuneration Principles

(a full set of our remuneration principles is available in our remuneration policy)

### Remuneration framework and how it supports the strategy

#### Shareholder

Focus on the creation of shareholder value by driving an ownership culture with 'skin-in-the-game'

#### Our People

Attract and retain high calibre people, rewarding high standards of performance and values

#### Strategy

Focus on sustainable earnings, growth and key Company goals and objectives (short and long-term)

#### Risk

Encourage conduct that does not expose the Group to inappropriate risk while promoting high standards and accountability

#### Remuneration Element

#### Element Delivery

#### Performance Measure

#### Relationship to Strategy

### Guaranteed remuneration components

#### Fixed Remuneration

Executives are benchmarked against a peer group composed of New Zealand and Australian companies generally comparable in size, complexity and industry

Includes base salary, any allowances, non-cash benefits, and superannuation/KiwiSaver

Set based on capability, performance, job size, and industry benchmarks

Attract and retain key talent to drive the delivery of the Group strategy. Rewards ongoing performance in role

### At-risk remuneration components (subject to performance outcomes)

#### Short-Term Incentive

Recognises on a discretionary basis, achievement of the Group and individual performance objectives

Following the release of the final audited financial year results, a portion is paid in cash and the remainder is deferred into equity for 2 years

Rewards for safety, financial and individual performance measured using a balanced scorecard

Retains and motivates key talent, and drives alignment by rewarding for achievement of the Group goals and creation of shareholder value

#### Long-Term Incentive

Aim to drive long-term, sustainable results, and creation of shareholder value

Allocation of Fletcher Building shares, with vesting after 3 years, based on achievement of shareholder return over this period. Allocation is made using face value at the time of grant

Two equally weighted measures: Relative Total Shareholder Return (rTSR) referenced to an industry comparator peer group and Return on Funds Employed (ROFE)

Supporting the alignment of our most senior people with shareholder interests, ensuring value is created for our people where relative TSR is realised and ROFE is achieved. Encouraging long-term sustainability, a focus on performance and growth, and achievement of the Group strategy

## Remuneration Report (continued)

### 2.3 Fixed Remuneration

Fletcher Building's policy is to set fixed remuneration based on capability, performance, size of role, and industry benchmarks in the country in which the employee is located. Participation in retirement savings plans is made available to employees as required by remuneration practices in relevant countries.

Remuneration levels are reviewed and benchmarked annually for market competitiveness, and alignment with strategic and performance priorities. A peer group which comprises New Zealand and Australian companies, generally comparable in size, complexity and industry is used to benchmark executives. Our peer organisations display similar characteristics to Fletcher Building by way of industry/sector, market capitalisation, revenue, geographic scope and employee numbers and generally reflects where the Group wins talent from and loses talent to.

### 2.4 Short-Term Incentive (STI)

The following table summarises the Senior STI which applied to the CEO and Chief Executives in FY23.

| STI Element            |                                       | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                           |
|------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| General                | Eligibility                           | <ul style="list-style-type: none"> <li>Participation in the STI is by annual invitation at the discretion of the Board and typically includes senior leaders who have a direct impact on the Group's performance.</li> </ul>                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                           |
|                        | Opportunity                           | <ul style="list-style-type: none"> <li>Group CEO: Target = 112% of Base Salary</li> <li>Chief Executives: Target = 70% - 80% of Base Salary (role dependent)</li> <li>Maximum opportunity is 150% of Target for all participants</li> </ul>                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                           |
|                        | Vehicle                               | <ul style="list-style-type: none"> <li>Group CEO: 50% cash; 50% deferred into equity (share rights) for 2 years</li> <li>Chief Executives: 60% cash; 40% deferred into equity (share rights) for 2 years</li> </ul>                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                           |
| Performance Conditions | Performance conditions and weightings | <ul style="list-style-type: none"> <li>The weightings of financial, safety and individual goals vary by role, as outlined below.</li> </ul>                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                           |
|                        |                                       | Measure                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Operational Executives    | Functional Executives     |
|                        |                                       | Safety gateway                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"> <li><b>Safety leadership interactions</b> reinforce a line-led safety culture, and places emphasis on the importance of active and authentic leadership for safety on-site.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 12                        | 6                         |
|                        |                                       | Financial                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>CEO and Functional Executives in Corporate: <b>Group EBIT, EBIT margin and trading cash (excluding significant items)</b>.</li> <li>Operational Executives in divisions: <b>Divisional EBIT and trading cash, capital management or work won</b>, depending on the division's priorities.</li> <li><b>EBIT is a gateway</b> to the individual goals, i.e. if the EBIT threshold is not met, no individual component of the STI is payable.</li> <li>To strike an appropriate balance between focusing on division financials and those of the Group, a <b>multiplier</b> (either up or down) is applied based on the achievement of a <b>Group EBIT target</b>.</li> </ul> | Target: 65%<br>(115% max) | Target: 50%<br>(100% max) |
|                        |                                       | Safety                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>All roles have a safety lead and lag measure, weighted at 5% each.</li> <li>The <b>safety lead</b> target differs by role, with operating executives based on risk containment sweeps, and functional executives on those areas of safety culture they are most able to influence.</li> <li>The <b>safety lag</b> measure is based on injury reduction targets, i.e. reduction in <b>TRIFR</b> (Total Recordable Injury Frequency Rate).</li> </ul>                                                                                                                                                                                                                        | 10%                       | 10%                       |
|                        |                                       | Individual                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>Individual goals for the executives are aligned to the different priorities of their businesses or functions, and may include <b>above plan growth, employee engagement (eNPS), customer (NPS), talent, diversity, sustainability, innovation, and other strategic goals</b> that drive performance beyond the current financial year.</li> </ul>                                                                                                                                                                                                                                                                                                                          | 25%                       | 40%                       |
|                        |                                       | <b>Total STI scorecard at target</b> (Financial <b>Target</b> + Safety + Individual)                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>100%</b>               | <b>100%</b>               |
|                        |                                       | <b>Total STI scorecard at maximum</b> (Financial <b>Max</b> + Safety + Individual)                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>150%</b>               | <b>150%</b>               |
|                        |                                       | <ul style="list-style-type: none"> <li>Performance hurdles for our financial measures are set at two levels: a threshold level, which must be met before any STI is paid, and a maximum level that reflects stretch performance. Financial thresholds are generally set at 80% of maximum hurdles.</li> <li>The performance range for individual and safety measures is between 0% and 100% of the goal, with no opportunity for stretch performance.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                           |

| STI Element |                                                      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Timing      | Assessment of awards                                 | <ul style="list-style-type: none"> <li>An assessment of performance against the performance conditions occurs following finalisation of the Group's full year results.</li> <li>Each of these financial measures is assessed separately at this time and achievement against each executive's individual goals is reviewed and approved by the Board.</li> <li>Eligibility for consideration of a payment under the STI requires a participant to remain employed by the Group at the date of payment, following the end of the financial year.</li> <li>Both the cash and deferred equity (share rights) components are awarded as soon as reasonably practicable after the announcement of the Company's full year results in August each year.</li> </ul> |
|             | Deferred Equity: Disposal restrictions and dividends | <ul style="list-style-type: none"> <li>A participant is entitled to receive one ordinary share for each vested share right.</li> <li>The share rights will vest and be automatically exercised into shares on the second anniversary of the grant date, subject to the plan's leaver provisions.</li> <li>There will be no disposal restrictions on the shares received following the vest and exercise of share rights, subject to any minimum shareholding obligations and insider trading policies.</li> <li>No dividends (or voting rights) are received on the deferred share rights during the deferral period.</li> </ul>                                                                                                                             |

## 2.5 Long-Term Incentive (LTI)

The table below summarises the Group's share based executive long-term share scheme (ELSS).

| LTI Element |             | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General     | Eligibility | <ul style="list-style-type: none"> <li>Participation in the ELSS is by annual invitation at the discretion of the Board and includes the Group CEO and Chief Executives.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|             | Opportunity | <ul style="list-style-type: none"> <li>Group CEO: Target = 80% of Base Salary</li> <li>Chief Executives: Target = 40% - 50% of Base Salary (role dependent)</li> <li>Maximum opportunity is 100% of Target for all participants</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|             | Vehicle     | <ul style="list-style-type: none"> <li>Under the ELSS, participants purchase shares in the Group at the offer price with an interest-free loan. The offer price is established at market value at the commencement of the three-year restrictive period. The shares are held by a trustee on behalf of participants until the end of that three-year restrictive period.</li> <li>Provided the nominated share performance criteria are met and participants remain employed with the Group throughout the restrictive period, a cash bonus is paid to meet the repayment of the interest-free loan and legal title in the shares is then transferred to the participants.</li> <li>To the extent that the performance criteria are not met, or the participant ceases to be employed by the Group, the shares are forfeited, and the proceeds used to repay the interest-free loan. Exceptions to this are considered in the case of redundancy or retirement.</li> <li>A taxable bonus is paid sufficient to repay the loan related to the vested shares. Subject to the impact of any increase in the tax rate since allocation, net after-tax dividends related to the vested shares are paid to the employee.</li> <li>The legal title to the shares is transferred to the employee.</li> </ul> |

| LTI Element                                                                                                         | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|------------------------------|-----|---------------------------|-----|-------------------------------------------------------|---------------------------|------------------------------------|------|-----------------|------------------------|------------------------------------------------------------|-----|-----------------------------|--------------------------|------------------------|------|
| <b>Overview</b>                                                                                                     | <ul style="list-style-type: none"> <li>The ELSS is designed to align executive remuneration with sustainable financial outcomes for shareholders over the longer term, and to attract and engage participants.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>Performance Conditions</b><br><br><b>Performance conditions, weightings, and timing</b><br><br>(2022 ELSS grant) | <ul style="list-style-type: none"> <li>The 2022 ELSS grant is subject to two equally weighted performance criteria, tested at the end of a 3-year restrictive period:               <ul style="list-style-type: none"> <li>Relative total shareholder return (rTSR); and</li> <li>Return on Funds Employed (ROFE).</li> </ul> </li> <li>TSR performance is determined by benchmarking, by way of percentile ranking, the TSR performance of the Group against the TSR performance for the same period of a group of Australasian companies. The comparator group used for the 2022 offer comprises Adelaide Brighton, BlueScope, Boral, Brickworks, CSR, GWA Group, James Hardie, Metro Performance Glass, Reece and Steel &amp; Tube.</li> <li>Note: The Board have sought independent advice as to whether the continued presence of Boral in the comparator group is appropriate given its recent corporate activity. If that advice confirms that it is not appropriate (i.e. that it distorts the cohort), the Board will follow advice on how to measure rTSR going forward, while adjusting for that distortion. This may require adjustment to remove Boral from those tests. The Board is obtaining independent advice as to the most appropriate composition to provide the right balance for ELSS participants, the Company, and shareholders.</li> <li>The relative TSR performance and vesting entitlements are set out in the table below:               <table> <tr> <th>TSR Percentile</th><th>Percentage entitlement</th></tr> <tr> <td><b>Below 51<sup>st</sup></b></td><td>NIL</td></tr> <tr> <td><b>At 51<sup>st</sup></b></td><td>50%</td></tr> <tr> <td><b>Above 51<sup>st</sup> to below 75<sup>th</sup></b></td><td>51% - 99% linear pro-rata</td></tr> <tr> <td><b>At 75<sup>th</sup> or above</b></td><td>100%</td></tr> </table> </li> <li>ROFE performance is determined by dividing EBIT by average funds employed and assessing it using the following performance thresholds:               <ul style="list-style-type: none"> <li>The ROFE performance range includes a threshold at the point where ROFE equals the weighted average cost of capital and a maximum of 15%. Performance is assessed in the year of vesting based on EBIT, excluding the impact of M&amp;A and restructuring costs.</li> </ul> </li> <li>The ROFE performance and vesting entitlements are set out below:               <table> <tr> <th>ROFE Percentile</th><th>Percentage entitlement</th></tr> <tr> <td><b>At or below weighted average cost of capital (WACC)</b></td><td>NIL</td></tr> <tr> <td><b>Between WACC and 15%</b></td><td>1% - 99% linear pro-rata</td></tr> <tr> <td><b>At or above 15%</b></td><td>100%</td></tr> </table> </li> <li>The Board has the discretion to determine the extent to which any shares held in the ELSS should be transferred in any takeover, merger or corporate restructure.</li> </ul> | TSR Percentile | Percentage entitlement | <b>Below 51<sup>st</sup></b> | NIL | <b>At 51<sup>st</sup></b> | 50% | <b>Above 51<sup>st</sup> to below 75<sup>th</sup></b> | 51% - 99% linear pro-rata | <b>At 75<sup>th</sup> or above</b> | 100% | ROFE Percentile | Percentage entitlement | <b>At or below weighted average cost of capital (WACC)</b> | NIL | <b>Between WACC and 15%</b> | 1% - 99% linear pro-rata | <b>At or above 15%</b> | 100% |
| TSR Percentile                                                                                                      | Percentage entitlement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>Below 51<sup>st</sup></b>                                                                                        | NIL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>At 51<sup>st</sup></b>                                                                                           | 50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>Above 51<sup>st</sup> to below 75<sup>th</sup></b>                                                               | 51% - 99% linear pro-rata                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>At 75<sup>th</sup> or above</b>                                                                                  | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| ROFE Percentile                                                                                                     | Percentage entitlement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>At or below weighted average cost of capital (WACC)</b>                                                          | NIL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>Between WACC and 15%</b>                                                                                         | 1% - 99% linear pro-rata                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |
| <b>At or above 15%</b>                                                                                              | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                |                        |                              |     |                           |     |                                                       |                           |                                    |      |                 |                        |                                                            |     |                             |                          |                        |      |

## 2.6 Minimum shareholding requirement

Over time, the CEO, Executives (reporting directly to the CEO) and General Managers must acquire and maintain a holding in the Group's ordinary shares until such time as the greater of the sum invested or the market value of their shareholding exceeds 100%, 75% and 50% of their base remuneration respectively. Any shares granted under the ELSS scheme do not count towards the minimum shareholding requirement unless they vest.

Although there is no time limit in which the CEO and executives must build this investment, any shares which vest under the STI, LTI or any similar scheme can't be sold until their shareholding equals or exceeds the minimum requirement.

These shareholding requirements strengthen the alignment of executives' equity with long-term Group performance and the interests of shareholders.

As at 30 June 2023, the CEO had a holding in the Group's ordinary shares equal to 91% of his base remuneration. It has been calculated in accordance with the minimum shareholding requirement methodology, which uses the greater of the sum invested or the market value of the shares. This does not include any in-flight STI or LTI equity awards.

## Remuneration Report (continued)

### 2.7 FBuShare

FBuShare is Fletcher Building's employee share plan available to all permanent employees. The plan aims to connect our people with our performance, and to promote employee engagement and retention. Employees acquire shares in the Group and, if they continue to be employed after a three-year qualification period, they become entitled to receive one bonus award share for every two shares purchased in the first year of each qualification period and still owned at the end of that period. FBuShare does not require any performance criteria to be met. FBuShare has a minimum contribution rate of NZ\$250 per annum and a maximum contribution rate of NZ\$5,000 per annum (or the equivalent currency in other countries). Directors are not eligible to participate in FBuShare.

### 2.8 Malus & clawback

Our malus and clawback framework applies to unvested and vested STI, both cash and deferred, and unvested and vested LTI awards. Under this framework, the company has the right to reduce the incentive remuneration component prior to payment or vesting, and clawback the incentive remuneration amount from a participant for a period of three years from the end of the financial year for which the STI payment is made or vesting of the LTI.

There are four key steps in the framework, each of which contain a set of parameters and/or questions that guide management and Directors in determining the extent to which any STI or LTI would be impacted. These steps include:

1. Identifying & investigating trigger events;
2. Assessing trigger events and required consequences;
3. Determining accountability and intent; and
4. Quantifying the adjustment and application.

Although a list of financial and non-financial trigger events have been identified for which this framework would apply, this list is not exhaustive and management, the People and Remuneration Committee or Board may determine other events apply in its ultimate discretion.

During FY23, no trigger events were identified and therefore, the Board was not required to consider application of the malus & clawback framework.

## 3. PERFORMANCE OUTCOMES

### 3.1 5-year performance summary

| Financial year                              | FY23        | FY22        | FY21        | FY20       | FY19        |
|---------------------------------------------|-------------|-------------|-------------|------------|-------------|
| <b>Short-term performance</b>               |             |             |             |            |             |
| Net earnings/(loss) (\$m)                   | 235         | 432         | 305         | (196)      | 164         |
| EBIT (\$m) <sup>(1)</sup>                   | 782         | 756         | 668         | 160        | 631         |
| Cash (\$m) <sup>(2)</sup>                   | 517         | 592         | 879         | 410        | 153         |
| <b>CEO STI achieved (as a % of maximum)</b> | <b>36.0</b> | <b>92.5</b> | <b>94.0</b> | <b>0.0</b> | <b>36.0</b> |

(1) EBIT is excluding significant items but including the impact of Iplex® Australia Pro-Fit costs.

(2) The Cash measure was operational cash flow in FY19-FY22, and trading cash flow (excluding significant items) in FY23. Trading cash flow excluding significant items is calculated consistently with the published Group cash flow from operations, excluding cash tax, non-lease interest costs and significant items, but adjusting/ deducting for lease principal payments classified as part of cash flows from financing activities, to represent business unit-controlled cash flows.

|                                            |                    |                    |                    |                    |                    |
|--------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Long-term performance</b>               |                    |                    |                    |                    |                    |
| 1-year TSR (%) <sup>(3)</sup>              | 15                 | (28)               | 107                | (21)               | (29)               |
| 3-year TSR (%) <sup>(4)</sup>              | 74.4               | 11.5               | 12.0               | (44.7)             | (23.1)             |
| ROFE (%)                                   | 17.1               | 19.3               | 18.8               | 3.7                | 11.8               |
| Dividends (cents per share) <sup>(5)</sup> | 40.0               | 36.0               | 12.0               | 15.0               | 8.0                |
| Year-end share price (\$)                  | 5.42               | 5.04               | 7.52               | 3.70               | 4.85               |
| <b>CEO LTI Vested (as a % of maximum)</b>  | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>N/A</b>         |
| <b>CEO LTI grant date<sup>(6)</sup></b>    | <b>1 July 2020</b> | <b>1 July 2019</b> | <b>1 July 2018</b> | <b>1 July 2017</b> | <b>1 July 2016</b> |

(3) Share price movement in year and gross dividend received, to prior year closing share price.

(4) Using 5-day VWAP as per the ELSS.

(5) Gross dividend paid during the period.

(6) The current CEO commenced employment on 22 November 2017.

### 3.2 FY23 Short-term incentive (STI) performance

#### Safety performance

All executives met or exceeded the required safety leadership interactions in FY23 and fully achieved their safety lead performance measures. TRIFR performance across the Group is tracking well, with the FY23 result down to 3.1 from 3.4 in FY22. This performance resulted in the 5% safety lag goal of the STI scorecard being achieved.

In the event of a fatality or serious injury, the Board has the discretion to adjust any or all of the STI payment and in doing so considers the leader's length of time in role (and therefore ability to influence), their demonstrated leadership prior to the incident as well as the quality of the leader's response post-incident. The Board recognises the importance of this discretion and has and will continue to adjust outcomes where it considers it appropriate.

In FY23, we had 3 serious injuries, 2 of which were non-life-threatening hand injuries, and the other was a vehicle related incident where the individual suffered a spinal cord injury resulting in paraplegia. Aligned to our belief that all injuries are preventable, the Safety, Health, Environment and Sustainability (SHES) Committee considered all factors associated with these incidents, including leadership performance and efforts of the teams.

Where appropriate, the SHES Committee provides its findings to the People and Remuneration Committee to review the impact on remuneration outcomes using the STI Discretionary Impact Framework. As per this framework, only serious injuries which were fatal or serious with potentially fatal consequences are reviewed to assess whether discretion should be applied to impact STI outcomes. This ensures that leaders are not unfairly sanctioned for events which, under slightly different circumstances, would not have caused serious harm.

Given that the two non-life-threatening hand injuries were not potentially fatal, and after considering all associated factors, there has been no impact to relevant individual leaders on the STI this year. We have also been impressed by the extensive actions undertaken following these incidents such as the glove awareness campaigns, information sessions and mandatory glove policy for contractors.

Following the impact assessment conducted for the vehicle related incident, Directors exercised their discretion to reduce the STI outcome of the following relevant leaders:

- Business Unit GM and functional leaders (-10%): Planning and resources were being allocated and there was genuine commitment by leadership, however, the severity of the injury required some impact to be made.
- Country Manager (-50%): This manager is responsible for enforcing the Life Saving Rules and ensuring subcontractors are prequalified, inducted and have fit-for-purpose equipment.

#### Financial performance

While EBIT performance during FY23 was below threshold for our Construction and Residential & Development divisions, it was at or above threshold levels for the Group and remaining divisions. This resulted in the CEO and CEs of the remaining divisions meeting the gateway requirement to be eligible for payment on individual goals.

With the exception of the Residential & Development division which performed below the threshold hurdle, cash performance was between threshold and maximum for the remainder of divisions and the Group. The Residential & Development division also has a Capital Envelope measure, and the team maintained sensible limits on working capital investment resulting in performance for this measure between threshold and maximum.

Our Construction division similarly exceeded the threshold for their division-specific New Work Won measure to deliver a strong future pipeline.

Further details about the Group's financial performance in FY23 is set out on page 100.

#### Individual performance

Where the EBIT gateway to individual goals were met, achievement against individual goals for executives in FY23 range from 60% to 100%. Further details of the CEO's individual goal performance are outlined in section 4.4 on page 93.

Throughout the year, Iplex® Australia increased the provision for issues related to its previously manufactured Pro-Fit products in Western Australia, from A\$2 million to A\$15 million. As a result, the Board applied discretion to deduct the A\$15 million from Group, divisional and business unit EBIT performance (see CEO FY23 STI Outcome on page 93). After incorporating this adjustment, the FY23 STI outcomes of our CEO and Chief Executives range between 13% to 66% of maximum. In reviewing these outcomes, the Board considered that the team delivered solid performance against stretching targets set by the Board. Given that performance was good but not exceptional, the outcomes are appropriate against the stretching and robust targets set by the Board. No further discretionary adjustments were made.

## Remuneration Report (continued)

### 3.3 Long-term incentive (LTI) performance

The July 2019 long-term share scheme grant, which was within the 12-month retest period up to 30 June 2023, was below the minimum threshold performance level and therefore was forfeited. The July 2020 long-term share scheme grant was below the minimum threshold performance level and therefore entered the 12-month retest period. Further details on each of these incentive schemes are provided in section 2 of the report.

The vesting and forfeiture of shares (due to failure to meet performance criteria) over the last five years are set out in the following table:

| Date of grant                 | Shares granted | % vested  | % forfeited |
|-------------------------------|----------------|-----------|-------------|
| September 2022 <sup>(1)</sup> | 616,654        |           |             |
| July 2021 <sup>(2)</sup>      | 395,085        | In-flight |             |
| July 2020 <sup>(3)</sup>      | 1,998,635      |           |             |
| July 2019 <sup>(4)</sup>      | 1,386,100      | 0%        | 100%        |
| July 2018 <sup>(5)</sup>      | 1,041,605      | 0%        | 100%        |

(1) As per the prospective LTI changes introduced in FY23, grant and test dates were aligned to the announcement of the Group's full year results, and the retests were removed.

(2) Due to a change in the remuneration framework for General Managers (GMs) during FY21, this employee group is no longer eligible for LTI awards, resulting in a lower number of shares granted in July 2021 compared to previous years. Equity is delivered for GMs through the equity deferral of their STI component.

(3) Fletcher Building's TSR did not meet the minimum vesting threshold for the three years ended 30 June 2023 for the 2020 issue. Therefore, the restrictive period has been extended to 30 June 2024.

(4) The restrictive period for the 2019 issue was extended for 12 months until 30 June 2023. Fletcher Building's TSR did not meet the minimum vesting threshold for the period ended 30 June 2023. Therefore, 100% of the shares in the 2019 issue will be forfeited in August 2023.

(5) The restrictive period for the 2018 issue was extended for 12 months until 30 June 2022. Fletcher Building's TSR did not meet the minimum vesting threshold for the period ended 30 June 2022. Therefore, 100% of the shares in the 2018 issue were forfeited in August 2022.

## 4. CEO REMUNERATION

### 4.1 Remuneration package overview

The following diagram shows how remuneration is delivered to the CEO.

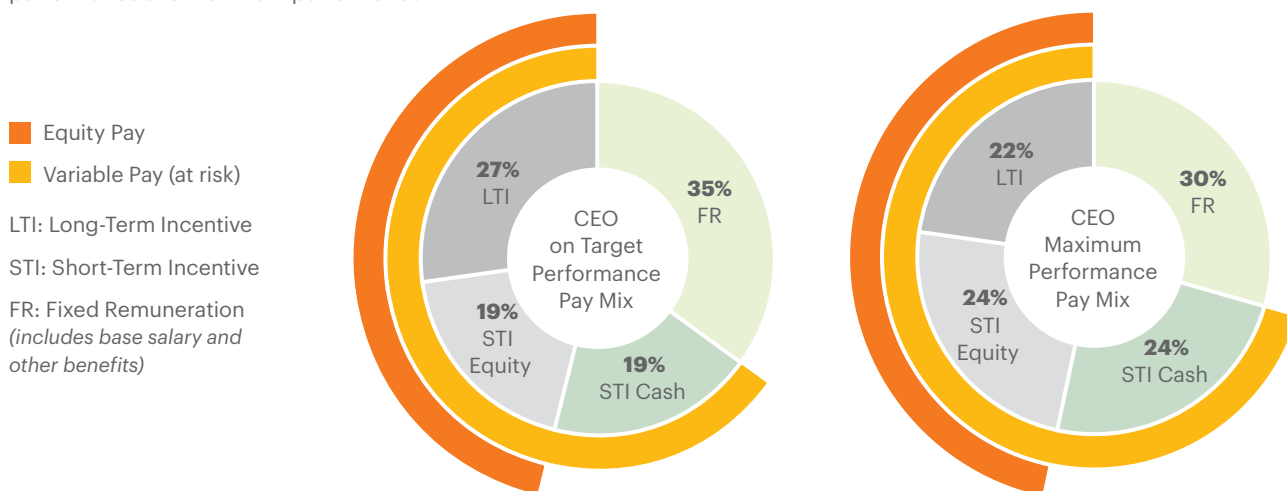
| Start of the year    |                                | End of Year 1 | End of Year 2 | End of Year 3 |
|----------------------|--------------------------------|---------------|---------------|---------------|
| Fixed Remuneration   | Base salary and other benefits |               |               |               |
|                      |                                |               |               |               |
| Short-term incentive | Cash (50%)                     |               |               |               |
|                      | Deferred equity (50%)          |               |               |               |
| Long-term incentive  | Shares                         |               |               |               |
|                      | 50% Relative TSR and 50% ROFE  |               |               |               |

## Remuneration Report (continued)

### 4.2 Remuneration mix

Ross Taylor's annual base remuneration as at 30 June 2023 was \$2,223,600, with an on-target STI of 112% of base salary and LTI of 80% of base salary. The current mix of remuneration components for the CEO is set out below, and clearly shows the significant weighting of variable pay (at risk), which is subject to achievement of short-term and long-term strategic goals.

The charts below show the CEO's remuneration package pay mix as a percentage of total package for both on-target performance and maximum performance.



The table below outlines the CEO's remuneration package at target and at maximum in NZD.

| Remuneration element              | At target          |                    | At maximum         |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | Value in NZD       | % of total package | Value in NZD       | % of total package |
| Fixed Remuneration                | \$2,358,511        | 35.6%              | \$2,358,511        | 30.0%              |
| STI Cash                          | \$1,245,216        | 18.8%              | \$1,867,824        | 23.7%              |
| STI Equity                        | \$1,245,216        | 18.8%              | \$1,867,824        | 23.7%              |
| LTI                               | \$1,778,880        | 26.8%              | \$1,778,880        | 22.6%              |
| <b>Total remuneration package</b> | <b>\$6,627,823</b> | <b>100%</b>        | <b>\$7,873,039</b> | <b>100%</b>        |

### 4.3 Remuneration received

The remuneration Ross Taylor received for FY23 and FY22 is set out in the table below.

|                                                                                              | FY23                       | FY22               |
|----------------------------------------------------------------------------------------------|----------------------------|--------------------|
| Base remuneration                                                                            | \$2,223,600                | \$2,148,400        |
| Other benefits <sup>(1)</sup>                                                                | \$134,911                  | \$131,032          |
| Short-term incentive accrued in the financial year                                           | \$1,345,286 <sup>(2)</sup> | \$3,338,614        |
| One-off share-based retention award – granted in 2019, vested on 30 June 2022 <sup>(3)</sup> |                            | \$970,981          |
| <b>Received <sup>(4)</sup></b>                                                               | <b>\$3,703,797</b>         | <b>\$6,589,027</b> |

#### Long-term incentives

| Granted but only awarded after 3 years, if performance criteria are met | FY23                   | FY22                   |
|-------------------------------------------------------------------------|------------------------|------------------------|
| Long-term incentive - number of shares granted                          | 168,296 <sup>(5)</sup> | 121,663 <sup>(6)</sup> |
| Long-term incentive - face value of grant                               | \$1,778,880            | \$1,718,720            |

Refer above for details of the STI and ELSS.

(1) Includes medical insurance, KiwiSaver and Australian superannuation for days worked in Australia as required by Australian taxation law.

(2) FY23 base remuneration x STI Target (112% of base remuneration) x FY23 STI maximum outcome (36%) x 150%. 50% payable in September of the following financial year and 50% deferred into equity for 2 years.

(3) Calculated based on 191,939 share rights and a volume weighted average share price as at 30 June 2022 of \$5.06.

(4) This table sets out remuneration awarded for the relevant financial year. The table on page 95 shows remuneration received during the year, which includes amounts relating to prior years but paid in the year due to timing differences.

(5) Based on a share price of NZ\$5.61/AU\$5.01, being the volume weighted average price for the five business days prior to 1 September 2022. The number of shares granted was calculated by converting the Long-term incentive value to the Australian dollar equivalent and using the Australian tax rate for the relevant financial year.

(6) Based on a share price of NZ\$7.48/AU\$6.97, being the volume weighted average price for the five business days prior to 1 July 2021. The number of shares granted was calculated by converting the Long-term incentive value to the Australian dollar equivalent and using the Australian tax rate for the relevant financial year.

## Remuneration Report (continued)

### 4.4 CEO FY23 STI outcome

For FY23, the following financial and non-financial measures were considered by the Board to incentivise earnings and operating cash, and to drive sustainable business performance. STI performance for FY23 was measured between threshold and maximum hurdles, with straight-line pro-rate from 0% at threshold to 150% at maximum. The table below summarises performance against targets for each of these measures under the CEO's FY23 STI.

| Measure                                                                                                                                                                                         | Scorecard weighting<br>pay-out range | Actual<br>outcome: %<br>of maximum                                                  | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Safety gateway                                                                                                                                                                                  | Gate<br>for any<br>payment           |    | Provided active and authentic leadership for safety on-site through safety walks and active leadership of the Protect Strategy and Executive EHS Council.                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Financial goals</b>                                                                                                                                                                          |                                      |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| FB Group EBIT<br>(gateway to individual goals)                                                                                                                                                  | 0%-85%                               |    | The annual EBIT (excluding significant items but including the impact of Iplex® Australia Pro-Fit costs) result of \$782 million outperformed threshold but was below the maximum performance hurdle. This was due mainly to lower-than-expected earnings in the Group's Residential & Development businesses.<br><br>This EBIT result, combined with forward-looking margin outcomes for FY24, resulted in a partial payment being achieved for this financial goal. Given that EBIT is also the gate to eligibility for payment against individual goals, the gateway for individual goals was opened |
| FB Group Cash                                                                                                                                                                                   | 0%-30%                               |    | Trading cash flow performance (excluding significant items) of \$517 million was between the threshold and maximum performance hurdle, mainly due to lower-than-expected cash-flow delivery in the Residential & Development businesses.                                                                                                                                                                                                                                                                                                                                                                |
| <b>Safety goals</b>                                                                                                                                                                             |                                      |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Risk containment sweep and critical control verification plans, sweeps completed to plan and actions closed within timeframes.                                                                  | 0%-5%                                |  | The focus on the roll-out of critical risk initiatives is key in driving the right behaviours and focus. With high uptake, the number of sweeps completed across FB materially exceeded the target, resulting in more risks controlled and creating a safer workplace.                                                                                                                                                                                                                                                                                                                                  |
| FB Group Total Recordable Injury Frequency Rate (TRIFR) at or below: 3.1                                                                                                                        | 0% OR<br>5%                          |  | The Group Total Recordable Injury Frequency Rate (TRIFR) has decreased by 12% during FY23. As such, the targeted reduction was exceeded. This is a positive outcome of the ongoing Protect strategy implementation across the Group.                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Individual goals</b>                                                                                                                                                                         |                                      |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Legacy construction projects continue to track within provision envelope                                                                                                                        | 0%-5%                                |  | Not achieved.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Development of a multi-year social license strategy, including the organisational structure and capability required to deliver. Successfully deliver against the FY23 component of this plan.   | 0%-5%                                |  | Strategy and roadmap delivering to agreed plan. Phase one completed, which included an in-depth stakeholder research programme to understand current perceptions of the brand and to identify the key levers to build social license.                                                                                                                                                                                                                                                                                                                                                                   |
| Increase female operational leaders and develop a plan for FY24 to increase female operational leaders in line with a 30% target by FY27.                                                       | 0%-5%                                |  | Increases in the percentage of female operational leaders outperformed the FY24 target and a stretching yet viable plan has been developed for FY27, resulting in the full achievement of the related STI goal.                                                                                                                                                                                                                                                                                                                                                                                         |
| Digital@Fletcher: delivering to Board approved plan with all FY23 milestones met.                                                                                                               | 0%-5%                                |  | The first implementation has gone well in Iplex® NZ, but the lessons learned from this have delayed the other pilots by a few months and have required adjustments to the overall project approach.                                                                                                                                                                                                                                                                                                                                                                                                     |
| Performance and Growth: Group set up to achieve 100bps to 200bps of EBIT margin improvement in FY26 with initiatives and plans progressively locked in to support delivery of this improvement. | 0%-5%                                |  | Our FY26 plan is above target with significant and credible growth / margin expansion initiatives incorporated. As a result, the related STI payment was fully achieved.                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>FY23 STI Outcome (as a % of maximum)</b>                                                                                                                                                     | 0%-150%                              | 36%                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

Key:



Maximum achievement



Partial achievement



At or below threshold achievement

## 5. FREQUENTLY ASKED QUESTIONS

| Key Questions                                                                                                                                         | Fletcher Building Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Reference   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>FY24 Changes</b>                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |             |
| Given that only some of your businesses have top quartile TRIFR performance, is it the right time to introduce an evolved safety approach in the STI? | <p>Our businesses can be at different phases of safety maturity and our safety strategy provides a framework which recognises this. By introducing this change, we are aligning the safety goals in our STI to our strategic framework. The safety approach will only be adjusted for businesses where TRIFR is &lt;2.</p> <p>Furthermore, TRIFR will continue to play a critical role in our assessment of safety performance across all businesses. As a 5% goal for those businesses with TRIFR &gt; 2. For those businesses with TRIFR &lt; 2, if the business' TRIFR increases past the Group value, 5% of the total 10% safety weighting in the STI will be forfeited.</p>                                                                                                                                                                                                        | Section 1   |
| Is there a talent / retention risk of not awarding increases to senior leaders in FY24?                                                               | <p>We have low turnover in Senior Leadership group (14%) and they are highly engaged and committed. They have been supportive of this approach to careful cost management in FY24.</p> <p>A 10% increase in STI pay-out at target provides our leaders with the opportunity to 'earn back' the foregone increase, noting they are currently competitively remunerated. We will continue to monitor potential retention risks of critical skills on a case-by-case basis.</p>                                                                                                                                                                                                                                                                                                                                                                                                            | Section 1   |
| How will the 10% in STI pay-out at target be "self-funded"?                                                                                           | The STI uplift only applies to the financial component of the STI and the additional costs will be added to our EBIT targets – i.e. the additional STI will only be achieved if more-stretching EBIT targets are met or exceeded.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Section 1   |
| <b>Remuneration Framework</b>                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |             |
| Do you think the executives' remuneration framework balances the short and long term?                                                                 | <p>Executives are focused on the quality of earnings over the longer term via the LTI component (which is a significant element of total remuneration), the two-year STI deferral (which is aligned with shareholders via share price appreciation or depreciation during that time), and those individual STI goals which are future-focused.</p> <p>The introduction of STI deferral in FY22 was also accompanied by an increase in the mandatory shareholding for the CEO from 50% to 100% of base salary, and from 50% to 75% for other executives.</p>                                                                                                                                                                                                                                                                                                                             | Section 2   |
| Why did you make changes to the LTI performance measures?                                                                                             | <p>Given that the LTI has to be achievable yet stretching, ROFE (return on funds employed) plus rTSR (relative total shareholder return) provides it:</p> <ul style="list-style-type: none"> <li>The relative TSR measure was chosen because it is a direct alignment of LTI outcomes with shareholders' experience. Many of our investors have a similar performance measure.</li> <li>The use of ROFE in our LTI aligns well with our focus on "performance and growth". It places emphasis on both earnings performance and effective use of capital to drive growth. It provides a strong link between performance and management's reward outcomes which is valued by executives, and supports attracting, retaining, and motivating them.</li> </ul> <p>The inclusion of 2 performance measures in our LTI is also aligned to market practice and investor feedback received.</p> | Section 2.5 |
| Why is the ROFE maximum value set at 15%?                                                                                                             | <p>Our view is that the 15% target value is achievable but sufficiently stretching. Given that the organisation is focused on driving both performance and growth, it is important for our executives to keep focused on returns as they employ capital but that they are sufficiently incentivised to make sensible growth investments for the longer term.</p> <p>A target too far above WACC (or too far above the long-term Group target of 15%) may discourage investments. Also, the Group's growth investments are expected to be primarily organic, and the 15% target takes account of the period in which we build out these organic investments but are not generating earnings from them.</p>                                                                                                                                                                               | Section 2.5 |
| How is ROFE calculated?                                                                                                                               | <p>ROFE is EBIT on average funds. With regards the treatment of significant items for the purposes of calculating LTI, ROFE will include any asset impairments that have been made but exclude any M&amp;A divestments and restructuring costs.</p> <p>We take the deduction on asset impairment because management hasn't supported the value of the business. But for M&amp;A, almost invariably a divestment is not being made by the management team who bought it. We don't want to have perverse incentives where management might not look to do a divestment if there's going to be a write down and negatively impact their LTI. Or conversely, asset sales just because of the gain, to positively impact their LTI.</p>                                                                                                                                                      | Section 2.5 |
| ROFE is measured in the year of vesting – i.e. the 2022 grant will be tested on the Group's FY25 ROFE. Why are you measuring it in this way?          | <p>We consider that it is clearer and more transparent to use the ROFE in the year of vesting – i.e. vs. an average ROFE across the three-year grant period.</p> <p>Furthermore, major investment decisions in the Company can often have longer-term payback horizons – we want to ensure that executive management have regard to returns over the longer-term.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Section 2.5 |

## 6. EMPLOYEE REMUNERATION

Section 211(1)(g) of the Companies Act 1993 requires disclosure of the number of employees or former employees of the Group whose remuneration and any other benefits received by them during the year in their capacity as employees, was equal to or exceeded \$100,000 per annum and to state the number of such employees or former employees in brackets of \$10,000. These amounts are included below and include all applicable employees or former employees of Fletcher Building worldwide. The remuneration amounts include all monetary amounts and benefits actually paid during the year, including redundancies and the face value of long-term incentives vested.

| From NZ\$ to NZ\$ | New Zealand business activities | International business activities | Total | From NZ\$ to NZ\$     | New Zealand business activities | International business activities | Total        |
|-------------------|---------------------------------|-----------------------------------|-------|-----------------------|---------------------------------|-----------------------------------|--------------|
| 100,000 – 110,000 | 598                             | 378                               | 976   | 500,000 – 510,000     | 1                               | 2                                 | 3            |
| 110,000 – 120,000 | 474                             | 279                               | 753   | 510,000 – 520,000     | 2                               | 1                                 | 3            |
| 120,000 – 130,000 | 317                             | 223                               | 540   | 520,000 – 530,000     | 2                               | 0                                 | 2            |
| 130,000 – 140,000 | 275                             | 181                               | 456   | 530,000 – 540,000     | 2                               | 0                                 | 2            |
| 140,000 – 150,000 | 260                             | 172                               | 432   | 540,000 – 550,000     | 2                               | 2                                 | 4            |
| 150,000 – 160,000 | 168                             | 150                               | 318   | 550,000 – 560,000     | 1                               | 1                                 | 2            |
| 160,000 – 170,000 | 118                             | 100                               | 218   | 560,000 – 570,000     | 0                               | 2                                 | 2            |
| 170,000 – 180,000 | 87                              | 78                                | 165   | 570,000 – 580,000     | 1                               | 1                                 | 2            |
| 180,000 – 190,000 | 73                              | 57                                | 130   | 580,000 – 590,000     | 2                               | 1                                 | 3            |
| 190,000 – 200,000 | 65                              | 43                                | 108   | 590,000 – 600,000     | 2                               | 1                                 | 3            |
| 200,000 – 210,000 | 46                              | 37                                | 83    | 600,000 – 610,000     | 0                               | 1                                 | 1            |
| 210,000 – 220,000 | 35                              | 26                                | 61    | 610,000 – 620,000     | 2                               | 1                                 | 3            |
| 220,000 – 230,000 | 46                              | 28                                | 74    | 620,000 – 630,000     | 1                               | 1                                 | 2            |
| 230,000 – 240,000 | 30                              | 22                                | 52    | 630,000 – 640,000     | 3                               | 0                                 | 3            |
| 240,000 – 250,000 | 32                              | 21                                | 53    | 660,000 – 670,000     | 1                               | 0                                 | 1            |
| 250,000 – 260,000 | 28                              | 10                                | 38    | 680,000 – 690,000     | 3                               | 1                                 | 4            |
| 260,000 – 270,000 | 22                              | 3                                 | 25    | 800,000 – 810,000     | 2                               | 0                                 | 2            |
| 270,000 – 280,000 | 17                              | 14                                | 31    | 810,000 – 820,000     | 0                               | 1                                 | 1            |
| 280,000 – 290,000 | 13                              | 6                                 | 19    | 830,000 – 840,000     | 1                               | 0                                 | 1            |
| 290,000 – 300,000 | 13                              | 8                                 | 21    | 860,000 – 870,000     | 1                               | 0                                 | 1            |
| 300,000 – 310,000 | 13                              | 7                                 | 20    | 880,000 – 890,000     | 0                               | 1                                 | 1            |
| 310,000 – 320,000 | 9                               | 6                                 | 15    | 970,000 – 980,000     | 2                               | 0                                 | 2            |
| 320,000 – 330,000 | 10                              | 4                                 | 14    | 1,020,000 – 1,030,000 | 1                               | 0                                 | 1            |
| 330,000 – 340,000 | 11                              | 4                                 | 15    | 1,030,000 – 1,040,000 | 0                               | 1                                 | 1            |
| 340,000 – 350,000 | 7                               | 5                                 | 12    | 1,040,000 – 1,050,000 | 1                               | 0                                 | 1            |
| 350,000 – 360,000 | 7                               | 3                                 | 10    | 1,060,000 – 1,070,000 | 0                               | 1                                 | 1            |
| 360,000 – 370,000 | 7                               | 4                                 | 11    | 1,070,000 – 1,080,000 | 0                               | 1                                 | 1            |
| 370,000 – 380,000 | 8                               | 1                                 | 9     | 1,110,000 – 1,120,000 | 1                               | 0                                 | 1            |
| 380,000 – 390,000 | 5                               | 2                                 | 7     | 1,130,000 – 1,140,000 | 1                               | 0                                 | 1            |
| 390,000 – 400,000 | 5                               | 3                                 | 8     | 1,160,000 – 1,170,000 | 1                               | 0                                 | 1            |
| 400,000 – 410,000 | 3                               | 5                                 | 8     | 1,390,000 – 1,400,000 | 1                               | 0                                 | 1            |
| 410,000 – 420,000 | 0                               | 1                                 | 1     | 1,420,000 – 1,430,000 | 1                               | 0                                 | 1            |
| 420,000 – 430,000 | 4                               | 3                                 | 7     | 1,600,000 – 1,610,000 | 1                               | 0                                 | 1            |
| 430,000 – 440,000 | 6                               | 0                                 | 6     | 1,700,000 – 1,710,000 | 1                               | 0                                 | 1            |
| 440,000 – 450,000 | 2                               | 1                                 | 3     | 1,740,000 – 1,750,000 | 1                               | 0                                 | 1            |
| 450,000 – 460,000 | 6                               | 2                                 | 8     | 1,850,000 – 1,860,000 | 1                               | 0                                 | 1            |
| 460,000 – 470,000 | 4                               | 0                                 | 4     | 2,430,000 – 2,440,000 | 0                               | 1                                 | 1            |
| 470,000 – 480,000 | 4                               | 0                                 | 4     | 2,570,000 – 2,580,000 | 1                               | 0                                 | 1            |
| 480,000 – 490,000 | 2                               | 0                                 | 2     | 6,670,000 – 6,680,000 | 1                               | 0                                 | 1            |
| 490,000 – 500,000 | 3                               | 2                                 | 5     |                       | <b>2,877</b>                    | <b>1,910</b>                      | <b>4,787</b> |

The increase in the highest bracket in FY23 (6,670,000 – 6,680,000) compared to the highest bracket in FY22 (5,160,000 – 5,170,000) is as a result of the one-off share-based retention award granted to the Group CEO in 2019, which vested on 30 June 2022 but was allocated in FY23.

This table is required by law and sets out remuneration that has been received during this year, and so includes amounts that relate to prior periods (due to timing of payments).

## Remuneration Report (continued)

### 7. DIRECTORS' REMUNERATION

The current total directors' remuneration pool approved by shareholders in 2011 is \$2 million per annum. Directors receive remuneration determined by the Board on the recommendation of the Nominations Committee. Remuneration in aggregate per annum must be within the remuneration pool approved by shareholders. There are no schemes for retirement benefits for non-executive directors. Information of directors' holding of securities is set out in the Statutory Disclosures section.

In June 2023, the Nominations Committee considered the appropriateness of current fees and recommended to the Board no change to the directors' fees for FY24 to be paid out of the current shareholder approved remuneration pool of \$2 million per annum, as shown in the following table.

The remuneration scale for directors is outlined below:

|                                                          |                        | Remuneration scale <sup>(1)</sup> |           |
|----------------------------------------------------------|------------------------|-----------------------------------|-----------|
| Position                                                 |                        | FY23                              | FY24      |
| Board of directors                                       | Chair <sup>(2)</sup>   | \$391,000                         | \$391,000 |
|                                                          | Non-Executive director | \$155,500                         | \$155,500 |
| Audit and Risk Committee                                 | Chair                  | \$38,000                          | \$38,000  |
|                                                          | Member                 | \$19,500                          | \$19,500  |
| Nominations Committee                                    | Chair                  | -                                 | -         |
|                                                          | Member                 | \$8,500                           | \$8,500   |
| People and Remuneration Committee <sup>(3)</sup>         | Chair                  | \$29,000                          | \$29,000  |
|                                                          | Member                 | \$14,500                          | \$14,500  |
| Safety, Health, Environment and Sustainability Committee | Chair                  | \$29,000                          | \$29,000  |
|                                                          | Member                 | \$14,500                          | \$14,500  |
| Overseas based directors - travelling allowance          |                        | \$18,000                          | \$18,000  |

(1) FY24 fees are effective from 1 July 2023.

(2) No additional fees are paid to the Board Chair for committee roles.

(3) Remuneration Committee changed to People and Remuneration Committee from September 2022.

Fees to directors for unscheduled additional work required for the Group is time based payable at \$1,200 per half day. Directors do not receive any further remuneration for also being directors of Fletcher Building Industries Limited, the NZX listed issuer of the Group's capital notes. Directors' fees exclude GST, where appropriate. In addition, Board members are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs.

Details of the total remuneration received by each Fletcher Building director for FY23 are as follows:

| Directors                               | Board Fees         | Audit and Risk Committee | Nominations Committee <sup>(1)</sup> | People and Remuneration Committee | Safety, Health, Environment and Sustainability Committee | Overseas based directors travelling allowance | Total Remuneration |
|-----------------------------------------|--------------------|--------------------------|--------------------------------------|-----------------------------------|----------------------------------------------------------|-----------------------------------------------|--------------------|
| Bruce Hassall<br>(Chair) <sup>(2)</sup> | \$391,000          |                          | \$ -<br>(Chair)                      | \$ -                              |                                                          |                                               | \$391,000          |
| Martin Brydon                           | \$155,500          |                          | \$6,375                              | \$14,500                          | \$14,500                                                 | \$18,000                                      | \$208,875          |
| Barbara Chapman                         | \$155,500          |                          | \$8,500                              | \$29,000<br>(Chair)               |                                                          |                                               | \$193,000          |
| Peter Crowley                           | \$155,500          | \$19,500                 | \$8,500                              |                                   | \$14,500                                                 | \$18,000                                      | \$216,000          |
| Rob McDonald                            | \$155,500          | \$38,000<br>(Chair)      | \$6,375                              | \$14,500                          |                                                          |                                               | \$214,375          |
| Doug McKay                              | \$155,500          | \$19,500                 | \$6,375                              |                                   | \$29,000<br>(Chair)                                      |                                               | \$210,375          |
| Cathy Quinn                             | \$155,500          | \$19,500                 | \$6,375                              |                                   | \$14,500                                                 |                                               | \$195,875          |
| <b>Total</b>                            | <b>\$1,324,000</b> | <b>\$96,500</b>          | <b>\$42,500</b>                      | <b>\$58,000</b>                   | <b>\$72,500</b>                                          | <b>\$36,000</b>                               | <b>\$1,629,500</b> |

(1) From April 2023, the members of the Nominations Committee are Bruce Hassall, Barbara Chapman and Peter Crowley. Prior to that date all non-executive directors were members of this Committee.

FY23 fees are effective from 1 July 2022.

(2) No additional fees are paid to the Board Chair for committee roles.



## Fletcher Building Excellence Awards 2023

In May we celebrated the return of the Fletcher Building Excellence Awards at the Auckland Museum. The night featured 200 of our best and brightest, people and teams who exemplify our values and who are committed to delivering outstanding outcomes for our people, customers and communities.



Watch: Fletcher Building  
Excellence Awards  
highlights video

# Financial Report

Continuous improvement lead, Vicer Veldman (left), and plant trainer, Rhon Reddy, inspect plans at the Tauriko GIB® facility.



# Trend Statement

| Notes                                                                  | June<br>2023<br>NZ\$M | June<br>2022<br>NZ\$M | June<br>2021 <sup>(3)</sup><br>NZ\$M | June<br>2020 <sup>(2)</sup><br>NZ\$M | June<br>2019 <sup>(1)</sup><br>NZ\$M |
|------------------------------------------------------------------------|-----------------------|-----------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Financial performance</b>                                           |                       |                       |                                      |                                      |                                      |
| Operating revenue                                                      | 8,469                 | 8,498                 | 8,120                                | 7,309                                | 9,307                                |
| Earnings before interest and taxation (EBIT)                           | 497                   | 702                   | 540                                  | (116)                                | 397                                  |
| Net earnings/(loss)                                                    | 235                   | 432                   | 305                                  | (196)                                | 164                                  |
| Cash flow from operations                                              | 388                   | 592                   | 879                                  | 410                                  | 153                                  |
| Earnings per share - basic (cents per share)                           | 30.0                  | 53.5                  | 37.0                                 | (23.5)                               | 19.2                                 |
| Dividends for the period (cents per share)                             | 34.0                  | 40.0                  | 30.0                                 |                                      | 23.0                                 |
| Return on average funds (%) <sup>(4)</sup>                             | 10.6                  | 18.0                  | 15.2                                 | (2.7)                                | 7.4                                  |
| Return on average equity (%) <sup>(5)</sup>                            | 6.4                   | 11.7                  | 8.6                                  | (5.1)                                | 4.0                                  |
| <b>Financial performance - before significant items</b>                |                       |                       |                                      |                                      |                                      |
| Earnings before interest and taxation (EBIT)                           | 798                   | 756                   | 668                                  | 160                                  | 631                                  |
| Net earnings                                                           | 452                   | 484                   | 413                                  | 3                                    | 367                                  |
| Earnings per share - basic (cents per share)                           | 57.7                  | 60.0                  | 50.1                                 | 0.4                                  | 43.0                                 |
| Return on average funds - before significant items (%) <sup>(4)</sup>  | 17.1                  | 19.3                  | 18.8                                 | 3.7                                  | 11.8                                 |
| Return on average equity - before significant items (%) <sup>(5)</sup> | 12.2                  | 13.2                  | 11.6                                 | 0.1                                  | 8.8                                  |
| <b>Balance sheet</b>                                                   |                       |                       |                                      |                                      |                                      |
| Current assets                                                         | 3,330                 | 3,277                 | 3,125                                | 3,824                                | 4,121                                |
| Non-current assets                                                     | 5,751                 | 5,144                 | 4,849                                | 4,954                                | 3,589                                |
| Total assets                                                           | 9,081                 | 8,421                 | 7,974                                | 8,778                                | 7,710                                |
| Current liabilities                                                    | 2,201                 | 2,157                 | 1,906                                | 2,385                                | 2,330                                |
| Non-current liabilities                                                | 3,203                 | 2,499                 | 2,333                                | 2,858                                | 1,207                                |
| Total liabilities                                                      | 5,404                 | 4,656                 | 4,239                                | 5,243                                | 3,537                                |
| Capital                                                                | 2,993                 | 3,003                 | 3,248                                | 3,280                                | 3,427                                |
| Reserves                                                               | 657                   | 747                   | 471                                  | 220                                  | 714                                  |
| Minority equity                                                        | 27                    | 15                    | 16                                   | 35                                   | 32                                   |
| Total equity                                                           | 3,677                 | 3,765                 | 3,735                                | 3,535                                | 4,173                                |
| Total liabilities and equity                                           | 9,081                 | 8,421                 | 7,974                                | 8,778                                | 7,710                                |
| <b>Other financial data</b>                                            |                       |                       |                                      |                                      |                                      |
| Total shareholders' return (%) <sup>(6)</sup>                          | 15                    | (28)                  | 107                                  | (21)                                 | (29)                                 |
| Net tangible assets per share (\$)                                     | 3.17                  | 3.47                  | 3.30                                 | 2.87                                 | 3.53                                 |
| Gearing (%) <sup>(7)</sup>                                             | 27.8                  | 15.1                  | 4.4                                  | 12.3                                 | 7.2                                  |
| Leverage (%) <sup>(8)</sup>                                            | 1.2                   | 0.6                   | 0.2                                  | 0.9                                  | 0.4                                  |

(1) The Group divested Roof Tile Group business on 1 November 2018 and the global Formica business on 3 June 2019.

(2) Includes the impacts of NZ IFRS 16.

(3) Restated following revisions to NZ IAS 38 Intangible Assets adopted by the Group.

(4) EBIT to average funds (net debt and equity less deferred tax asset).

(5) Net earnings to average shareholders' funds.

(6) Share price movement in year and gross dividend received, to opening share price.

(7) Net debt (borrowings less cash and deposits) to net debt and equity.

(8) Net debt to EBITDA before significant items.

# Consolidated Income Statement

For the year ended 30 June 2023

|                                                                    | Note | 2023<br>NZ\$M | 2022<br>NZ\$M |
|--------------------------------------------------------------------|------|---------------|---------------|
| Revenue                                                            |      | 8,469         | 8,498         |
| Cost of goods sold                                                 |      | (5,838)       | (5,989)       |
| Gross margin                                                       |      | 2,631         | 2,509         |
| Selling, general and administration expenses                       |      | (1,883)       | (1,786)       |
| Share of profits of associates and joint ventures                  |      | 34            | 24            |
| Revaluation gain on investment property                            |      | 16            | 9             |
| Significant items                                                  |      | (301)         | (54)          |
| Earnings before interest and taxation (EBIT)                       |      | 497           | 702           |
| Lease interest expense                                             |      | (60)          | (58)          |
| Funding costs                                                      |      | (94)          | (46)          |
| Earnings before taxation                                           |      | 343           | 598           |
| Taxation expense                                                   |      | (89)          | (159)         |
| Earnings after taxation                                            |      | 254           | 439           |
| Earnings attributable to non-controlling interests                 |      | (19)          | (7)           |
| <b>Net earnings attributable to the shareholders</b>               |      | <b>235</b>    | <b>432</b>    |
| Net earnings per share (cents)                                     |      |               |               |
| Basic                                                              |      | 30.0          | 53.5          |
| Diluted                                                            |      | 28.4          | 50.3          |
| Weighted average number of shares outstanding (millions of shares) |      |               |               |
| Basic                                                              |      | 783           | 807           |
| Diluted                                                            |      | 848           | 880           |
| Dividends declared per share (cents)                               |      | 34.0          | 40.0          |

The accompanying notes form part of and are to be read in conjunction with these consolidated financial statements.

On behalf of the Board, 16 August 2023.



**Bruce Hassall**  
Chair



**Robert McDonald**  
Director

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

|                                                                                                    | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------------------------------------------------|---------------|---------------|
| Net earnings attributable to shareholders                                                          | 235           | 432           |
| Net earnings attributable to non-controlling interests                                             | 19            | 7             |
| Net earnings after tax                                                                             | 254           | 439           |
| <b>Other comprehensive income</b>                                                                  |               |               |
| <i>Items that do not subsequently get reclassified to Consolidated Income Statement:</i>           |               |               |
| Movement in pension reserve                                                                        |               | 17            |
|                                                                                                    |               | 17            |
| <i>Items that may be reclassified subsequently to Consolidated Income Statement in the future:</i> |               |               |
| Movement in cash flow hedge reserve                                                                | 2             | 27            |
| Movement in currency translation reserve                                                           | (23)          | 49            |
| Reclassification of foreign currency reserve to Consolidated Income Statement                      |               | 42            |
|                                                                                                    | (21)          | 118           |
| Other comprehensive income                                                                         | (21)          | 135           |
| <b>Total comprehensive income for the year</b>                                                     | <b>233</b>    | <b>574</b>    |

The accompanying notes form part of and are to be read in conjunction with these consolidated financial statements.

# Consolidated Statement of Movements in Equity

For the year ended 30 June 2023

| NZ\$M                                        | Note | Share capital | Retained earnings | Share-based payments reserve | Cash flow hedge reserve | Currency translation reserve | Pension reserve | Total        | Non-controlling interests | Total equity |
|----------------------------------------------|------|---------------|-------------------|------------------------------|-------------------------|------------------------------|-----------------|--------------|---------------------------|--------------|
| <b>Total equity at 30 June 2021</b>          |      | <b>3,248</b>  | <b>562</b>        | <b>28</b>                    | <b>(19)</b>             | <b>(146)</b>                 | <b>46</b>       | <b>3,719</b> | <b>16</b>                 | <b>3,735</b> |
| Total comprehensive income for the year      |      |               | 432               |                              | 27                      | 91                           | 17              | 567          | 7                         | 574          |
| Movement in non-controlling interests        |      |               |                   |                              |                         |                              |                 |              | (8)                       | (8)          |
| Dividends paid to shareholders of the parent | 19   |               | (292)             |                              |                         |                              |                 | (292)        |                           | (292)        |
| Movement in share-based payment reserve      |      | 5             | 3                 | (2)                          |                         |                              |                 | 6            |                           | 6            |
| Repurchase of shares                         | 20   | (250)         |                   |                              |                         |                              |                 | (250)        |                           | (250)        |
| <b>Total equity at 30 June 2022</b>          |      | <b>3,003</b>  | <b>705</b>        | <b>26</b>                    | <b>8</b>                | <b>(55)</b>                  | <b>63</b>       | <b>3,750</b> | <b>15</b>                 | <b>3,765</b> |
| Total comprehensive income for the year      |      |               | 235               |                              | 2                       | (23)                         |                 | 214          | 19                        | 233          |
| Movement in non-controlling interests        |      |               |                   |                              |                         |                              |                 |              | (7)                       | (7)          |
| Dividends paid to shareholders of the parent | 19   |               | (311)             |                              |                         |                              |                 | (311)        |                           | (311)        |
| Movement in share-based payment reserve      |      | 3             | 5                 | 2                            |                         |                              |                 | 10           |                           | 10           |
| Movement in treasury stock                   | 20   | (13)          |                   |                              |                         |                              |                 | (13)         |                           | (13)         |
| <b>Total equity at 30 June 2023</b>          |      | <b>2,993</b>  | <b>634</b>        | <b>28</b>                    | <b>10</b>               | <b>(78)</b>                  | <b>63</b>       | <b>3,650</b> | <b>27</b>                 | <b>3,677</b> |

The accompanying notes form part of and are to be read in conjunction with these consolidated financial statements.

# Consolidated Balance Sheet

As at 30 June 2023

| Assets                                       | Note | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------|------|---------------|---------------|
| <b>Current assets:</b>                       |      |               |               |
| Cash and cash equivalents                    | 7    | 365           | 351           |
| Current tax assets                           | 26   | 6             |               |
| Contract assets                              | 2.6  | 141           | 127           |
| Derivatives                                  | 18   | 18            | 17            |
| Debtors                                      | 8    | 1,176         | 1,275         |
| Inventories                                  | 9    | 1,624         | 1,507         |
| <b>Total current assets</b>                  |      | <b>3,330</b>  | <b>3,277</b>  |
| <b>Non-current assets:</b>                   |      |               |               |
| Property, plant and equipment                | 12   | 2,072         | 1,800         |
| Investment property                          | 13   | 58            | 34            |
| Intangible assets                            | 14   | 1,253         | 1,116         |
| Right-of-use assets                          | 15   | 1,324         | 1,351         |
| Investments in associates and joint ventures | 22   | 225           | 195           |
| Inventories                                  | 9    | 456           | 292           |
| Retirement plan assets                       | 27   | 126           | 124           |
| Derivatives                                  | 18   | 44            | 23            |
| Deferred tax assets                          | 26   | 193           | 209           |
| <b>Total non-current assets</b>              |      | <b>5,751</b>  | <b>5,144</b>  |
| <b>Total assets</b>                          |      | <b>9,081</b>  | <b>8,421</b>  |
| <b>Liabilities</b>                           |      |               |               |
| <b>Current liabilities:</b>                  |      |               |               |
| Creditors, accruals and other liabilities    | 10   | 1,416         | 1,512         |
| Provisions                                   | 11   | 403           | 173           |
| Lease liabilities                            | 15   | 192           | 185           |
| Current tax liabilities                      | 26   |               | 107           |
| Derivatives                                  | 18   | 20            | 4             |
| Contract liabilities                         | 2.6  | 82            | 112           |
| Borrowings                                   | 16   | 88            | 64            |
| <b>Total current liabilities</b>             |      | <b>2,201</b>  | <b>2,157</b>  |
| <b>Non-current liabilities:</b>              |      |               |               |
| Creditors, accruals and other liabilities    | 10   | 52            | 28            |
| Provisions                                   | 11   | 31            | 24            |
| Lease liabilities                            | 15   | 1,404         | 1,470         |
| Derivatives                                  | 18   | 1             | 1             |
| Borrowings                                   | 16   | 1,715         | 976           |
| <b>Total non-current liabilities</b>         |      | <b>3,203</b>  | <b>2,499</b>  |
| <b>Total liabilities</b>                     |      | <b>5,404</b>  | <b>4,656</b>  |
| <b>Equity</b>                                |      |               |               |
| Share capital                                | 20   | 2,993         | 3,003         |
| Reserves                                     |      | 657           | 747           |
| Shareholders' funds                          |      | 3,650         | 3,750         |
| Non-controlling interests                    |      | 27            | 15            |
| <b>Total equity</b>                          |      | <b>3,677</b>  | <b>3,765</b>  |
| <b>Total liabilities and equity</b>          |      | <b>9,081</b>  | <b>8,421</b>  |

The accompanying notes form part of and are to be read in conjunction with these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2023

|                                                                            | Note     | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------------------------|----------|---------------|---------------|
| <b>Cash flow from operating activities</b>                                 |          |               |               |
| Receipts from customers                                                    |          | 8,496         | 8,273         |
| Dividends received                                                         |          | 4             | 15            |
| Payments to suppliers, employees and other                                 |          | (7,769)       | (7,582)       |
| Interest paid                                                              |          | (152)         | (101)         |
| Income tax paid                                                            |          | (191)         | (13)          |
| <b>Net cash from operating activities</b>                                  | <b>7</b> | <b>388</b>    | <b>592</b>    |
| <b>Cash flow from investing activities</b>                                 |          |               |               |
| Sale of property, plant and equipment                                      |          | 6             | 7             |
| Sale of subsidiaries                                                       |          |               | 51            |
| Purchase of subsidiaries                                                   |          | (183)         |               |
| Purchase of property, plant and equipment and intangible assets            |          | (445)         | (399)         |
| Payments for investment property and investment property under development |          | (19)          | (5)           |
| Return of advances to associates and joint ventures                        |          |               | 2             |
| Investments in associates and joint ventures                               |          |               | (12)          |
| <b>Net cash from investing activities</b>                                  |          | <b>(641)</b>  | <b>(356)</b>  |
| <b>Cash flow from financing activities</b>                                 |          |               |               |
| Issue of capital notes                                                     |          | 50            | 90            |
| Repurchase of capital notes                                                |          | (56)          | (100)         |
| Repurchase of shares                                                       |          |               | (250)         |
| Repurchase of shares - transferred to treasury stock                       |          | (13)          |               |
| Drawdown of borrowings                                                     |          | 774           | 180           |
| Repayment of borrowings                                                    |          | (3)           | (4)           |
| Principal elements of lease payments                                       |          | (196)         | (186)         |
| Contributions from non-controlling interests                               |          | 37            | 13            |
| Distribution to non-controlling interests                                  |          | (13)          | (8)           |
| Dividends paid to shareholders of the parent                               |          | (311)         | (292)         |
| <b>Net cash from financing activities</b>                                  |          | <b>269</b>    | <b>(557)</b>  |
| Net movement in cash held                                                  |          | 16            | (321)         |
| Add: opening cash and cash equivalents                                     | 7        | 351           | 666           |
| Effect of exchange rate changes on net cash                                |          | (2)           | 6             |
| <b>Closing cash and cash equivalents</b>                                   | <b>7</b> | <b>365</b>    | <b>351</b>    |

The accompanying notes form part of and are to be read in conjunction with these consolidated financial statements.

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## Significant changes in the current reporting period

The financial position and performance of the Group were particularly affected by the following events and transactions during the reporting period:

- The Group announced additional loss provisions on the New Zealand International Convention Centre and Hobson Street Hotel (NZICC) project, the additional provisions of \$255 million have been recognised as a Significant item in the Consolidated Income Statement. Refer to [page 10](#) and [page 11](#).
- Cyclone Gabrielle and North Island floods, that took place during January and February 2023, had an impact on the Group's operations. The cumulative cost associated with remedial works and damages to stock, buildings, leased assets and sites have been recognised in Significant items. Business interruption costs and trade losses are excluded from these amounts. Refer to [page 12](#).
- During the year, the Group acquired a number of businesses in New Zealand and Australia which have been recognised under the Concrete, Building Products, Distribution and Australia divisions. Refer to [page 13](#) and [page 14](#).
- The Group has updated its segmental reporting disclosure as a result of the operational restructure of Humes Pipeline Systems under the Concrete division. Refer to [page 15](#).
- During the year, the Group increased the total borrowing facilities available to it with the addition of; a new Australian Dollar denominated, three year tranche syndicated revolving credit facility ("Tranche D") of A\$674.5 million; and a new a short-term New Zealand Dollar denominated facility of \$300 million with Westpac New Zealand Limited, expiring on 31 October 2024. Additionally, the Group extended \$200 million of its New Zealand Dollar denominated Tranche A syndicated revolving credit facility for an additional five year term. Refer to [page 16](#).
- Iplex® Australia has received a number of product quality complaints relating to polybutylene pipe product it previously manufactured (under the name of "Pro-fit"). These complaints relate to leaks in homes, which have required repair or replacement of pipes and, in some cases, damage to the affected homes. The underlying root cause or causes of the leak continue to be investigated, including whether they are the consequence of pipe defect, building practices, local conditions or a combination of factors. Refer to [page 17](#).

# Notes to the Consolidated Financial Statements 2023

## 1. Statement of accounting policies

### General information

The consolidated financial statements presented are those of Fletcher Building Limited (the Company) and its subsidiaries (the Group). The Group is primarily involved in the manufacturing and distribution of building materials and residential, commercial and infrastructure construction. Fletcher Building Limited is domiciled in New Zealand. The registered office of the Company is 810 Great South Road, Penrose, Auckland.

The Company is registered under the Companies Act 1993 and is a Financial Markets Conduct Act (FMCA) 2013 reporting entity in terms of the Financial Reporting Act 2013. The Group is a for-profit entity.

### Basis of presentation

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards.

These consolidated financial statements are presented in New Zealand dollars (\$), which is the Group's presentation currency, and rounded to the nearest million unless otherwise stated.

The consolidated financial statements comprise the income statement, statement of comprehensive income, statement of movements in equity, balance sheet, statement of cash flows, and statement of accounting policies, as well as the notes to these consolidated financial statements.

### Accounting convention

The consolidated financial statements are based on the general principles of historical cost accounting, except that certain financial assets and liabilities, as described below are stated at their fair value.

The accounting policies have been applied consistently by the Group and are in line with prior year, unless otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) and investment property – measured at fair value or revalued amounts;
- Defined benefit pension plans – net plan assets measured at fair value; and
- Investment property – measured at fair value.

Where necessary, certain comparative information has been reclassified to conform to changes in presentation in the current year.

Accounting policies are disclosed within each of the applicable notes to the consolidated financial statements and are marked with this colour.

### Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with NZ IFRS requires the Directors to make estimates and judgements that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis.

The estimates and judgements that are critical to the determination of the amounts reported in the consolidated financial statements have been disclosed with the relevant notes in the consolidated financial statements and are marked with this colour, or where applied to the financial statements as a whole, are detailed below.

### Basis of consolidation

The consolidated financial statements comprise the Company, its controlled entities and its interest in associates, partnerships and joint arrangements. Intercompany transactions and balances are eliminated in preparing the consolidated financial statements.

### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation, from the date control commences until the date control ceases. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Foreign currency

#### Translation of the financial statements of foreign operations

The assets and liabilities of the Group's overseas operations are translated into New Zealand currency at the rates of exchange prevailing at balance date. The revenue and expenditure of these entities are translated using an average exchange rate reflecting an approximation of the appropriate transaction rates. Exchange variations arising on the translation of these entities and other currency instruments designated as hedges of such investments are recognised directly in the currency translation reserve and in Other comprehensive income. The cumulative exchange variations are reclassified subsequently to the Consolidated Income Statement if the overseas operation to which the reserve relates are sold or otherwise disposed of.

#### Foreign currency transactions

Transactions in foreign currencies are translated at exchange rates at the date of the transactions.

Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange prevailing at balance date.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in earnings, except where deferred in Other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets in foreign currencies are translated at the exchange rates in effect when the amounts of these assets were recognised.

The following key exchange rates were applied in the preparation of the consolidated financial statements:

| NZD/AUD       | 2023   | 2022   | Change |
|---------------|--------|--------|--------|
| Average rates | 0.9142 | 0.9365 | (2.4%) |
| Closing rates | 0.9173 | 0.9045 | 1.4%   |

## 2. Key estimates, judgements and other financial information

This section provides details of the key estimates and judgements undertaken when preparing these consolidated financial statements.

### 2.1 CHANGES IN ACCOUNTING POLICIES, INTERPRETATION AND AGENDA DECISIONS

#### *New and amended accounting standards and interpretation adopted*

There are no new or amended standards and interpretations that became effective for the year ended 30 June 2023 that have a material impact to the Group.

No new or amended standards that are issued but not yet effective have been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact in the current or future reporting periods.

### 2.2 SIGNIFICANT ITEMS

In reporting financial information, the Group presents non-GAAP performance measures, which are not defined or specified under the requirements of NZ IFRS.

The Group believes that these non-GAAP measures, which are not considered to be a substitute for or superior to NZ IFRS measures, provide stakeholders with additional useful information on the performance of the business. The non-GAAP measures are consistent with how the business performance is planned and reported to the Board and Audit and Risk Committee.

The Group makes certain Significant item adjustments to the statutory profit measures in order to derive non-GAAP measures. The Group discloses certain non-operating items as Significant items. The Group's policy is to recognise Significant items for transactions or events outside of the Group's ongoing operations that have a significant impact on reported profit. This policy provides stakeholders with additional useful information as a means to assess the year-on-year trading performance of the Group. On this basis, the following items are included within Significant items:

- Restructuring and other associated costs arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business.
- Impacts of significant one off events that have a material effect on the Group's financial performance and asset valuation.
- Impairment charges and provisions that are considered to be significant in nature and/or value to the trading performance of the business.
- Net gains and losses on the disposal of properties and businesses where a commitment to close has been demonstrated.

## Notes to the Consolidated Financial Statements 2023 (Continued)

Significant items totalled \$301 million for the year ended 30 June 2023 (30 June 2022: \$54 million) and comprise the following categories:

### ***New Zealand International Convention Centre and Hobson Street Hotel (NZICC)***

\$255 million relates to additional announced provisions for costs to complete the New Zealand International Convention Centre and Hobson Street Hotel (NZICC) build, the Group's last project as it winds down its operations in the vertical building sector.

### ***Cyclone Gabrielle and North Island Floods in New Zealand***

Property damage losses and direct remedial works resulting from impacts of Cyclone Gabrielle and North Island Floods recognised in the New Zealand business amounted to \$22 million. Impacted business units include Higgins® New Zealand (\$17 million), Winstone Aggregates® (\$2 million), Fletcher Steel® (\$1 million), PlaceMakers® and Mico® (\$1 million) and others.

Cyclone and flood losses include impairment of property, plant and equipment (\$8 million), write down of inventories (\$3 million), and other direct remediation works of owned sites (\$1 million) and rectification of damages to leased assets (\$10 million). Any future insurance recoveries related to these losses will be recognised by the Group as Significant items when confirmed. Business interruption costs and trade losses are excluded from these amounts.

### ***Australia property***

The Group recognised significant item gains of \$14 million associated with leased and owned properties in Australia, including:

- \$10 million impact from terminations and modifications of leases by Laminex® Australia and Iplex® Australia. The gains originated from the estimates assumed on adoption of NZ IFRS 16 in 2020, with opening balance adjustments taken to retained earnings; and
- \$4 million reversal of land impairment, previously recognised in Significant items, in relation to land held in Queensland by Iplex® Australia.

### ***Winstone Wallboards® transition to Tauriko***

\$10 million has been incurred by the Group in the year as it transitions Winstone Wallboards® operations from Auckland to Tauriko (Bay of Plenty, New Zealand).

### ***Iplex® Australia Pro-Fit claims remediation fund***

A provision of \$16 million (A\$15 million) has been recognised by Iplex® Australia in relation to Pro-Fit pipes matter, to establish a fund to identify and support homebuilders in Western Australia with remedial works and repair of the affected homes. Iplex® Australia's exposure to future claims, if any, will depend on the final determination as to their causes and the extent to which it and/or third parties are responsible and any relevant insurance policies respond. Refer to and further information on page 77 of the Annual Report.

### ***Silica-related claims***

The Group recognised an additional A\$7.5 million (\$8 million) provision as it considered the exposure Laminex® Australia may have for the existing and future claims. Refer to .

### ***M&A activity***

During the year, the Group acquired five businesses in New Zealand and Australia which have been presented under the Building Products, Concrete, Distribution and Australia operating segments. All transaction and integration related costs of acquired business are treated as Significant items, \$3 million of costs have been recognised in relation to the acquisition of Waipapa business in the year ended 30 June 2023. Refer to .

| NZ\$M                                | 2023       |                   |                               | 2022       |                   |                                                       |
|--------------------------------------|------------|-------------------|-------------------------------|------------|-------------------|-------------------------------------------------------|
|                                      | EBIT       | Significant items | EBIT before significant items | EBIT       | Significant items | Restated <sup>(1)</sup> EBIT before significant items |
| Building Products                    | 200        | (15)              | 215                           | 192        |                   | 192                                                   |
| Distribution                         | 140        | (1)               | 141                           | 136        | (1)               | 137                                                   |
| Concrete                             | 154        | (2)               | 156                           | 146        |                   | 146                                                   |
| Australia                            | 170        | (10)              | 180                           | 67         | (46)              | 113                                                   |
| Materials and distribution divisions | 664        | (28)              | 692                           | 541        | (47)              | 588                                                   |
| Residential and Development          | 147        |                   | 147                           | 217        |                   | 217                                                   |
| Construction                         | (247)      | (273)             | 26                            | 3          | (11)              | 14                                                    |
| Corporate and other                  | (67)       |                   | (67)                          | (59)       | 4                 | (63)                                                  |
| <b>Group</b>                         | <b>497</b> | <b>(301)</b>      | <b>798</b>                    | <b>702</b> | <b>(54)</b>       | <b>756</b>                                            |

(1) The comparatives have been restated as a result of a change in segmental reclassification. Humes Pipeline Systems which was previously under the Building Products division has been re-presented within the Concrete division. This results in an increase to the Concrete division and decrease in Building Products division of the comparative EBIT (June 2022: \$18 million) and EBIT before significant items (June 2022: \$18 million) recognised.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 2.3 INTANGIBLE ASSET IMPAIRMENT TESTING

The Group tests indefinite life intangible assets, including goodwill and brands, for impairment on an annual basis. Each cash generating unit (CGU) to which goodwill is allocated is valued on a fair value less cost to sell (FVLCS) basis using a discounted cash flow model. This is representative of the higher of fair value less costs to dispose and value-in use.

Management has used its past experience of sales growth, operating costs and margin, and external sources of information where appropriate, to determine cash flow projections for the future. These cash flow projections are principally based on the business units' forecast five-year plan, which are risk adjusted where appropriate. Cash flows beyond five years have been extrapolated using estimated terminal growth rates, which do not exceed the long-term average growth rate for the industries and countries in which the business units operate. Cash flows are discounted using a nominal rate specific to each business and jurisdiction.

#### New Zealand CGUs

The goodwill and brand balances for 15 New Zealand CGUs represent 48% of the Group. Discount rates between 8.6% and 10.7% (2022: between 8.5% and 10.7%) have been used for New Zealand business units, reflecting the risk profile and the regions in which they operate. The terminal growth rate employed for New Zealand businesses was 2.0% (2022: 2.0%).

#### Australia CGUs

The goodwill and brand balances for four Australia CGUs represent 49% of the Group. Discount rates between 7.6% and 8.1% (2022: 7.5% and 7.8%) have been used for Australian business units, reflecting the risk profile and the regions in which they operate. The terminal growth rates employed for Australia businesses was 2.5% (2022: 2.5%).

#### No impairment of indefinite life intangibles assets required at 30 June 2023

The impairment assessments confirmed that no impairment of indefinite life intangibles assets was required at 30 June 2023 for the Group. With the exception of Higgins® New Zealand, Higgins® Fiji and Tradelink®, no reasonably possible change in key assumptions used in the determination of the recoverable value of CGUs would result in a material impairment to the Group. At 30 June 2023, Group management classified Higgins® New Zealand, Higgins® Fiji and Tradelink® (2022: Higgins® Fiji, Laminex® Australia and Tradelink®) as 'watchlist' business units for the purpose of the Group's impairment testing procedures, where these CGUs demonstrate a heightened sensitivity/risk of impairment to reasonably possible changes in key assumptions.

#### Sensitivity to reasonably possible changes in assumptions

The following table sets out the Goodwill and Brands balance for those CGUs, where a reasonably possible change in key assumptions could result in impairment:

| 2023     | Tradelink®<br>NZ\$M | Higgins® NZ<br>NZ\$M | Higgins® Fiji<br>NZ\$M |
|----------|---------------------|----------------------|------------------------|
| Goodwill | 62                  | 114                  | 32                     |
| Brands   | 53                  | 19                   | 2                      |

#### Higgins® New Zealand (Higgins® NZ)

The combined impact of the adverse operating environment, weather events and focus to complete legacy and low margin projects have negatively impacted the earnings result of Higgins® NZ in the year ended 30 June 2023. These challenges are expected to continue to impact the forecast cash flows over the near term and as such have been included in the discounted cash flow model used to support the carrying value of the business.

Group and Construction divisional management implemented a number of strategic and operational initiatives through FY22 and FY23 aimed at resetting the business to generate margin growth and improve productivity. These initiatives, coupled with a lower-risk and higher quality forward order book (alliance contracts, national and local maintenance cost plus contracts) are expected to support productivity and drive better profitability going forward.

Management recognises that the full benefits of implemented strategic changes and the business unit's transition to higher profitability will be achieved over the longer-term, and, in part, will be dependent on the sustained long-term growth of the New Zealand economy and infrastructure construction market, overcoming of strategic challenges, and capturing potential market opportunities. This transition is expected to begin generating meaningful contributions to earnings in years beyond FY24 where cash flow forecast show a higher rate of growth in years four and five compared to years one to three, as Higgins® NZ works to fully realise benefits of implemented initiatives.

No impairment was recognised during the financial year, however, a change in any of the key assumptions noted below would result in a break-even position with no remaining headroom.

| Key Assumptions                                               | Value attributed | Sensitivity (absolute movement) |
|---------------------------------------------------------------|------------------|---------------------------------|
| Revenue growth (5-year Cumulative Average Growth Rate (CAGR)) | 4.10%            | Decrease by 1.2 ppts            |
| EBIT margin (5-year average)                                  | 4.50%            | Decrease by 1.4 ppts            |
| Discount rate                                                 | 10.10%           | Increase by 0.8 ppts            |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Tradelink®

Group and Australia divisional management undertook a comprehensive strategic review of the Tradelink® business in 2018, identifying a number of initiatives to implement over the near to medium-term to set the business up for long-term earnings margin growth. While implementation of these initiatives has contributed to a lift in Tradelink®'s performance to date, current profitability is behind managements original long-term targets and expectations. Management recognise that opportunities continue to exist for the business to transition to higher profitability, and are focused on executing and delivering initiatives to do so. These are largely underpinned by the business' ability to improve pricing strategies and gross margins, which need only be incremental to avoid any impairment. No impairment was recognised during the financial year, however, a change in any of the key assumptions noted below would result in a break-even position with no remaining headroom.

| Key Assumptions                                               | Value attributed | Sensitivity (absolute movement) |
|---------------------------------------------------------------|------------------|---------------------------------|
| Revenue growth (5-year Cumulative Average Growth Rate (CAGR)) | 2.20%            | Decrease by 0.5 pts             |
| EBIT margin (5-year average)                                  | 2.40%            | Decrease by 0.3 pts             |
| Discount rate                                                 | 8.10%            | Increase by 1.2 pts             |

### Higgins® Fiji

The goodwill and brand balance for Higgins® Fiji represent 3% of the total balance for the Group. The cash flows are discounted using a nominal rate specific to Fiji with the business having employed a discount rate of 19.4% (2022: 18.7%), reflecting the risk profile of the region in which the CGU operates. The terminal growth rate employed for Fiji business was 2.5% (2022: 2.5%).

Contracts to maintain and build infrastructure projects remain key to the long-term sustainability of Higgins® operations in Fiji. Partnering with the Fijian authorities to deliver these projects enable Higgins® Fiji to generate steady earnings and reliable cash flows. Recent change in the Fijian government and the impact it may have on transport and infrastructure policy are a key risk in assessing the recoverable value of Higgins® Fiji's assets. Group and Construction divisional management have considered a range of possible outcomes including the Fijian Road Authority (FRA) shifting away from foreign suppliers of civil construction when awarding future work. The final outcome of any future policy changes and its impact on Higgins®' operations in Fiji remain uncertain and will be subject to further assessment once the final set of reforms are finalised and announced. The government's recent budget announcement has been seen as favourable to the business unit's present and future economic outlook. No impairment was recognised during the financial year, however, any adverse changes in the FRA's contracting policy would require management to review the assumptions used in Higgins® Fiji's impairment assessment, where impairment may be required.

| Key Assumptions                                               | Value attributed | Sensitivity (absolute movement) |
|---------------------------------------------------------------|------------------|---------------------------------|
| Revenue growth (5-year Cumulative Average Growth Rate (CAGR)) | 3.70%            | Decrease by 1.7 pts             |
| Discount rate                                                 | 19.40%           | Increase by 3.2 pts             |

## 2.4 SUPPLEMENTARY DISCLOSURES: EARNINGS PER SHARE

Earnings per share is disclosed in full in . The below disclosure has been included to provide additional useful information by removing the impact of Significant items in the current and prior year, and the resulting impact on the earnings per share measure.

The effect of Significant items on earnings per share is as follows:

|                                                                                       | 2023<br>NZ\$M | 2022<br>NZ\$M |
|---------------------------------------------------------------------------------------|---------------|---------------|
| Net earnings after taxation (as per Consolidated Income Statement)                    | 235           | 432           |
| Add back: significant items before taxation (note 2.2)                                | 301           | 54            |
| Less: tax benefit on signification items (note 26)                                    | (84)          | (2)           |
| Net earnings before significant items                                                 | 452           | 484           |
| Net earnings per share before significant items (cents)                               | 57.7          | 60.0          |
| <b>Net earnings per share - as reported per Consolidated Income Statement (cents)</b> | <b>30.0</b>   | <b>53.5</b>   |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 2.5 BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in Significant items.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

#### Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

| Provisional values at acquisition date             | Tumu®<br>NZ\$M | Waipapa<br>NZ\$M | Other<br>acquisitions<br>NZ\$M | Total<br>NZ\$M |
|----------------------------------------------------|----------------|------------------|--------------------------------|----------------|
| <b>Assets</b>                                      |                |                  |                                |                |
| Property, plant and equipment                      | 3              | 63               | 2                              | 68             |
| Debtors, prepayments and other assets              | 19             | 6                |                                | 25             |
| Inventories                                        | 16             | 4                | 1                              | 21             |
| Deferred tax asset                                 | 1              |                  |                                | 1              |
| Right-of-use assets                                | 19             | 3                | 3                              | 25             |
|                                                    | 58             | 76               | 6                              | 140            |
| <b>Liabilities</b>                                 |                |                  |                                |                |
| Creditors, accruals and other liabilities          | 16             | 5                | 1                              | 22             |
| Lease liabilities                                  | 19             | 3                | 3                              | 25             |
| Deferred tax liability                             |                | 6                |                                | 6              |
|                                                    | 35             | 14               | 4                              | 53             |
| <b>Total identifiable net assets at fair value</b> | <b>23</b>      | <b>62</b>        | <b>2</b>                       | <b>87</b>      |
| Minority interest recognised                       |                |                  | (1)                            | (1)            |
| Goodwill arising on acquisition                    | 38             | 57               | 15                             | 110            |
| <b>Purchase consideration transferred</b>          | <b>61</b>      | <b>119</b>       | <b>16</b>                      | <b>196</b>     |

#### Tumu®

On 1 September 2022, the Group acquired six Tumu® building supply centres and a frame and truss operation, servicing the East Coast, Hawkes Bay and Wairarapa regions from the Tumu® Group. The acquired branches are full service building supplies merchants selling to both wholesale and retail customers as well as a frame and truss manufacturing business.

The acquisition delivers a stronger proposition and level of capability in the building supply market in the East Coast of the North Island, seen as a strategically valuable region for the Distribution division. The table above considers all seven entities.

For the entities acquired, less than 100% of the equity shares were acquired. Non-controlling interest share ownership percentages range from 2.12% to 25% with the Group electing to measure the non-controlling interests in the acquiree by reference to the non-controlling interests proportionate ownership of net assets of the acquiree.

The fair values of the identifiable assets and liabilities of the seven entities combined as at the date of acquisition are above. The Group has 12 months from the date of acquisition to finalise the acquisition accounting and therefore the amounts presented above are provisional.

## Notes to the Consolidated Financial Statements 2023 (Continued)

The fair value of trade receivables recognised at acquisition was \$19 million, representing the full contracted amount to be collected.

The Group measured acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

Goodwill is allocated to PlaceMakers® as a single cash-generating unit, reflecting the synergies created with PlaceMakers® through operational and supply chain efficiencies and access to the untapped regional market. PlaceMakers® is part of the Distribution division. The amount recognised is not expected to be deductible for tax purposes.

The Group incurred acquisition related costs of \$1 million in FY22 which were recognised in Significant items. The transaction was debt free and therefore after consideration of acquisition costs, the net cash flow on acquisition was \$62 million, including a \$11 million working capital adjustment settled in January 2023 that was subsequently realised through unwinding of inventory and debtors as at 30 June 2023.

### Waipapa

On 9 June 2023, Fletcher Building Products Limited, a fully owned subsidiary of Fletcher Building Limited, acquired 100% of the issued share capital of Waipapa Pine Limited and Renewable Wood Fuels Limited ("Waipapa"), a manufacturer of structural, industrial grade timber and wood pallets, serving Building merchants, independents and frame and truss plants between the Northland and Auckland regions.

The acquisition complements the Group's existing building products offering.

The fair values of the identifiable assets and liabilities of the two entities combined as at the date of acquisitions are above. The Group has 12 months from the date of acquisition to finalise the acquisition accounting and therefore the amounts presented above are provisional.

The purchase consideration of \$119 million includes a \$13 million deferred consideration liability recognised as Contingent Consideration, in provisions, which represents the remaining undiscounted value of the Group's probability-weighted estimate of the cash outflow associated with earn-out. The earn-out is payable only if the certain pre-determined production output rates from May 2022 to April 2024 are achieved. It reflects management's estimate and expectation that the maximum targets will be achieved. The final consideration is estimated to be paid by June 2024.

As at 30 June 2023, there have been no changes in the estimate of the probable cash outflow and change in fair value.

The fair value of trade receivables recognised at acquisition was \$6 million, representing the full contracted amount to be collected.

The Group measured acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

Goodwill is allocated to Waipapa as a single cash-generating unit, reflecting the synergetic benefit seen through vertical integration of Building Products division and distribution supply chain through the rest of the Group. The amount recognised is not expected to be deductible for tax purposes.

The net cash outflow of the acquisition is expected to be \$123 million which includes transaction and integration related costs of \$3 million in FY23, recognised as Significant items.

### Other acquisitions

During the year, the Group acquired three other businesses in New Zealand and Australia. These acquisitions have been recognised within the Concrete and Australia divisions. The considerations paid for the acquisitions in New Zealand were \$10 million (plus \$0.1 million relating to deed of covenant) and A\$5.2 million (plus A\$0.2 million working capital adjustment) for Australia. The goodwill recognised for these New Zealand and Australia acquisitions were \$9.4 million and A\$4.8 million respectively.

### Financial impact

If the above combinations had taken place at the beginning of the year, Group revenue would have been \$8,629 million and Group EBIT would have been \$517 million. From the date of acquisition, Tumu®, Waipapa and other acquisitions have contributed \$100 million to Group revenue and \$10 million to Group EBIT.

### Cromwell JV

At 30 June 2023, the Group had entered into a conditional Sale and Purchase Agreement to acquire the remaining interest of Cromwell Certified Concrete Limited, which the Group currently holds a 50% share, for consideration of \$7 million. The acquisition was completed in July 2023.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 2.6 CONSTRUCTION ACCOUNTING

The Group's Construction division is engaged with a wide variety of customers to construct and maintain building and infrastructure projects across New Zealand and the South Pacific. Services provided by the division include construction contract works, engineering and maintenance services. Each project has a different risk profile based on its individual contractual and delivery characteristics. The Group's policies for accounting for such projects are outlined below, including related estimate and judgements made by management that have the most significant effect on the carrying value of assets and liabilities of the Group as at 30 June 2023.

Estimates and judgements are made relating to a number of factors when accounting for construction contracts. On the income side, these include estimates and judgements made on variations to consideration which typically include variations due to changes in scope of work, recoveries of claim income or bonus elements from customers, and potential liquidated damages or penalties that may be levied by customers. On the cost side, these include estimates and judgements related to the assessment of future costs after considering; the programme of work throughout the contract, any changes in the scope of work, any maintenance and defect liabilities, expected inflation (for unlet sub-trades), and the recovery of any cost through insurance claims. For cost reimbursable contracts, there are also estimates required on the level of disallowable costs which requires an assessment of whether costs are recoverable under the terms of the contract and therefore should be recognised as income. Estimates of the final outcome of each contract may include cost contingencies to take account of specific risks within each contract that have been identified.

Construction projects are inherently more uncertain earlier in their lifetime, which leads to a number of significant estimates and judgements being made at these early stages. Construction divisional management perform regular reviews of their project positions including reassessment of cost to complete estimates, including any cost contingencies and estimated recoverability of any variations at each reporting date. Significant estimates and judgements are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. However, the nature of the risks on contracts are such that they often cannot be resolved until the project has been completed.

The significant judgements inherent in accounting for the Group's most material construction projects are:

- The extent to which a project progresses in line with the complex project programme and timetable previously formed and the resulting impact of any programme delays or gains on project costs, especially project overheads (preliminary and general costs) and any liquidated or other damages or penalties;
- Sub-contractor costs, in particular costs that are yet to be agreed in scope or price (including inflationary pressures) or cost increase that may arise due to programme prolongation;
- Recovery of any insurance claims;
- The outcome of ongoing commercial negotiations, including elements of variable consideration and changes in project scope with customers; and
- Future weather and ground conditions.

The Group's Construction division has a diverse portfolio of long term construction contracts. The nature and complexity of these contracts means the outcome can be subject to a significant level of estimation uncertainty, particularly in relation to the likelihood and quantum of any variation claims receivable, as well as the quantification and assessment of any other claims/counterclaims that may exist. Actual outcomes could be different from estimated amounts which may impact projection positions recognised.

#### Construction accounting policies

##### Revenue recognition

###### Construction contract revenue

The Group derives revenue from the construction of building and infrastructure projects across New Zealand and the South Pacific. Contracts entered into may be for the construction of one or several separate inter-linked pieces of large infrastructure. While it is uncommon, contracts can be entered into for the delivery of several projects. Where this occurs, management determine whether a single or multiple performance obligations exist, and allocate the total contract price across each performance obligation based on the relative stand-alone selling prices. The nature of construction projects ordinarily lead to variations in the project size and scope over time, it is also normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria, recognised as variable consideration.

Generally, contracts identify various inter-linked activities required in the construction process and the performance obligation is fulfilled over time and as such revenue is recognised over time. Revenue is invoiced based on the measured output of each process based on appraisals that are agreed with the customer on a regular basis, with the Group's right to payment occurring on a performance to date basis also.

Revenue on construction contracts (including sub-contracts) are determined using the percentage of completion method and represent the value of work carried out during the period, including amounts not invoiced. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract. Margin on a contract is not recognised until the outcome of the contract can be reliably estimated. Management use their professional judgement to assess both the timing of physical completion of the project and the risks associated with forecast financial result of the contract as part of this determination.

###### Maintenance contract revenue

Services revenue is primarily generated from maintenance services supplied to roading assets owned by local or central Government in New Zealand and the South Pacific. This revenue also arises in respect of infrastructure assets previously constructed by the Group where maintenance was included in the contract. The service contracts are typically determined to have one single performance obligation which is significantly integrated and is fulfilled over time.

###### Variable consideration

Revenue in relation to variations, such as a change in the scope of the contract, is only included in the contract price when it is approved by the parties to the contract, the variation is enforceable, or in certain circumstances when it is highly probable that a significant reversal of revenue recognised will not occur and is approved by the Board of Directors.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Contract assets, contract liabilities and provisions for onerous contracts

Contract assets/liabilities are usually stated at cost plus profit recognised to date, less progress billings. Costs include all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Onerous contract are defined in NZ IAS 37 Provisions; where the unavoidable costs (i.e. the costs that the division cannot avoid because it has to fulfil the contract) of meeting the obligations under a contract exceed the economic benefits expected to be received under it. When a contract is identified as onerous ('loss-making'), a provision is made for estimated future losses on the entire contract. Onerous contract provisions recognised in relation to the Group's legacy building and infrastructure projects have been disclosed in note 11.

A summary of the major construction projects and their approximate stage of completion is disclosed to demonstrate the uncertainty that remains on these projects.

#### Status of construction projects (> \$200 million original contract value) as at 30 June 2023:

|                                                                                                                           | Business unit  | Forecast completion* | Percentage of completion 2023 (% cost) |
|---------------------------------------------------------------------------------------------------------------------------|----------------|----------------------|----------------------------------------|
| New Zealand International Convention Centre and Hobson Street Hotel (NZICC) - Fixed price contract and fire reinstatement | Buildings      | 2024                 | 76%                                    |
| Pūhoi to Warkworth - Fixed price contract (Public Private Partnership)                                                    | Infrastructure | 2024                 | 94%                                    |

\* Calendar year

#### Revenue backlog

Revenue backlog, as disclosed below, refers to the level of construction work the Group is contracted to but is not yet complete as at period end. This represents the performance obligations that are yet to be completed for the construction contracts active as at 30 June 2023. The long-term nature of the contracts held by the Buildings, Infrastructure, Brian Perry Civil® and Higgins® businesses will see these performance obligations completed over a period generally between one to five years, although some may extend longer.

#### Revenue backlog by business unit as at 30 June 2023:

|                    | Current Revenue Backlog NZ\$M | Top 5 projects as a % of Revenue Backlog |
|--------------------|-------------------------------|------------------------------------------|
| Buildings          | 292                           | 100%                                     |
| Infrastructure     | 348                           | 97%                                      |
| Brian Perry Civil® | 1,298                         | 45%                                      |
| Higgins®           | 807                           | 39%                                      |
| South Pacific      | 71                            | 97%                                      |
|                    | 2,816                         | NA                                       |

#### Revenue backlog by business unit as at 30 June 2022:

|                    | Current Revenue Backlog NZ\$M | Top 5 projects as a % of Revenue Backlog |
|--------------------|-------------------------------|------------------------------------------|
| Buildings          | 417                           | 100%                                     |
| Infrastructure     | 813                           | 68%                                      |
| Brian Perry Civil® | 1,133                         | 17%                                      |
| Higgins®           | 777                           | 39%                                      |
| South Pacific      | 77                            | 84%                                      |
|                    | 3,217                         | NA                                       |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Contract assets

The gross amount of construction and maintenance work in progress consists of costs attributable to work performed and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses, accounting judgement is required.

Construction contracts with cost and margin in advance of billings are presented as part of contract assets.

### Contract liabilities

Construction contracts where the total progress billings issued to clients (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract are recognised as a liability.

|                                                                    | 2023<br>NZ\$M | 2022<br>NZ\$M |
|--------------------------------------------------------------------|---------------|---------------|
| Construction contracts with cost and margin in advance of billings | 141           | 127           |
| <b>Contract assets</b>                                             | <b>141</b>    | <b>127</b>    |
| Construction contracts with billings in advance of cost and margin | 82            | 112           |
| <b>Contract liabilities</b>                                        | <b>82</b>     | <b>112</b>    |

### New Zealand International Convention Centre and Hobson Street Hotel (NZICC)

On 22 October 2019, there was a significant fire at the project construction site causing damage to both the New Zealand International Convention Centre and Hobson Street Hotel (NZICC). Contract Works and Third Party Liability insurances are in place on the project, and the Fletcher Construction Company Limited (FCC) is an insured party under these policies.

As announced to the NZX on 16 December 2022, the Group expects the costs of the rebuild to exceed the Contract Works Insurances (CWI) coverage. As a consequence, an additional provision of \$150 million to complete the project was recognised in the interim financial statements as at 31 December 2022, classified as a Significant Item. The increased project costs were attributed mainly to: (1) significant complexity of the remediation approach and rebuild environment, particularly due to remediation of the water damage and mould that occurred following the fire; (2) as a result of this complexity, a greater number of project resources being required to complete the rebuild works; and (3) inflation of labour, trade and material costs, as is being experienced across the broader construction industry.

At 30 June 2023, a further provision of \$105 million was recognised, classified as a Significant Item. This reflected: \$50 million of project cost risks recognised; a \$20 million reduction in expected Contract Works Insurance (CWI) recoveries, due to additional claims paid to SkyCity (also an insured under the CWI policy); and a reassessment of assumed Third Party Liability (TPL) insurance recoveries to nil, compared to \$35 million previously.

While the Company considers it has good grounds to recover material amounts under the TPL policy, it has determined that these proceeds are not yet "virtually certain" in accordance with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets to be recognised. As such, no amount has been recognised to be recovered under the TPL policy in the project position. The Company will continue to pursue its rights to recovery under the TPL policy, though this is not expected to be settled until calendar year 2025.

The project is continuing to track to a target completion date in late 2024.

The assessment of the net cost to complete the project continues to rely on the application of estimates and judgements (e.g. programme to complete, remediation costs, the expected receipt of insurance recoveries and quantification of any claims and costs that are outside of insurance cover) and, as such, may be subject to change as the project progresses. Certain costs resulting from the fire may fall outside the scope of the Contract Works policies, with the possibility they may be unrecoverable by the Group. The costs that are known or considered probable to be unrecoverable as at balance date have been included in the assessment of the onerous contract provision.

As part of the estimate of final margin loss on the project, it is expected that FCC will secure remaining CWI proceeds of circa \$100 million, with a further circa \$50 million of 'BAU' client revenues to be received (i.e. for work that was still to complete at time of fire). Risks associated with proceeds under the Contract Works policy include insurers disputing FCC's claims, as while coverage has been confirmed, the extent of damage and recoverable costs have not all been agreed.

It is possible that the final provision could be below or above the levels currently allowed for, either through changes in costs to complete or the final level of insurance recoveries. As the project approaches completion, there is also risk of dispute over delay and cost with SkyCity. No claims have been received to date and project forecast and expected final margin does not allow for any.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Pūhoi to Warkworth (P2W)

The Fletcher Construction Company Limited (FCC) and its 50% joint venture partner, Acciona (together Construction JV), are subcontracted for the design and construction of P2W motorway, by the Northern Express Group (NX2), which is undertaking the project on behalf Waka Kotahi NZ Transport Agency (Waka Kotahi).

Road Opening was achieved on the 14 June 2023. Deferred works are targeted to be completed in March 2024.

The project was initially set to be completed in December 2021. However, programme delays and inefficiencies were experienced, as a result of constraints on resource and productivity arising from the impacts of the 2020 NZ Government's COVID-19 pandemic response. In July 2020, an agreement was reached between the parties which included revising the planned service commencement date to May 2022, with Waka Kotahi issuing a notice acknowledging the right to relief under the Project Agreement for certain COVID-19 events.

COVID-19 events – further lockdowns in 2021, introduction of a traffic light system and national and regional border closures – and the consequent impacts of those matters on supply chain and resource availability, further adversely impacted the progress of project construction and associated costs.

The Construction JV has lodged a claim of more than \$200 million with NX2 and Waka Kotahi for the impacts and delays arising from COVID-19 events. In December 2022, the Construction JV entered into an agreement with Waka Kotahi, which provided it with some interim and potentially refundable financial support, but without any party agreeing variations for compensation or extensions of time for the project to reach the contract Service Commencement Date. If no variations or extension of time are agreed between the parties or ultimately determined under the contract, the Construction JV will incur unrecoverable costs and liquidated damages (from 16 August 2022, being the current contractual Planned Service Commencement Date to mid-June 2023). Unless the Construction JV and Waka Kotahi agree otherwise, that claim will be resolved through an agreed dispute resolution process, unlikely to be earlier than 2025.

Separately, 18 landslips and 3 weather events have occurred on the project, resulting in damages to Works. For claims that have been notified, coverage has been confirmed under Construction JV's Contract Works Insurance policy, with the cost impact of these events being discussed with insurers. An assessment of recovery for all events has been included in the determination of the final project position and estimated final margin.

Finally, as the project completes the Construction JV will expect to make claims against some of its suppliers and may be subject to claims against it by suppliers and subcontractors.

The Group has assessed the facts and circumstances known to it relating to the Construction JV's estimate of net cost to complete programme works, including the merits of Construction JV's claims and likelihood of receipt of further relief under the Project Agreement, quantification of any claims and costs under this relief, the expected recovery under insurance policies, and concluded that no additional provision is required to be recognised as at 30 June 2023. There remains a risk that, ultimately, the full amount of the Construction JV's claims will not be recovered.

### Wellington International Airport Limited (WIAL)

In October 2018, Fletcher Construction Company Limited (FCC) completed a multi-level carpark for Wellington International Airport Limited (WIAL), which has alleged there are a number of defects to the carpark and the adjacent storm water drainage. It is claiming the cost of remediation and other related losses in the order of \$40 million. FCC disputes and will defend these claims and will also bring claims against WIAL including for unpaid variations and extensions of time.

These matters may take some time to be resolved, but there is a risk that FCC will be liable to WIAL for some or all of its claims. As FCC is exiting its vertical Buildings business, any such loss will be treated as a Significant item.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Financial Review

This section explains the results and performance of the Group, including the segmental analysis and earnings per share.

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group revenue is derived from the following streams:

- Sale of building products and materials
- Development and sale of properties
- Construction of building and infrastructure projects (refer to note 2.6)
- Maintenance service contracts (refer to note 2.6)

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

#### Building Products and Distribution divisions

##### *Sale of building products and materials*

The materials and distribution businesses within the Group recognise revenue when control of the goods has passed to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and there is a high probability that a significant reversal in the revenue recognised will not occur. Revenue is measured net of returns, trade discounts and volume rebates. The timing of the transfer of control varies depending on the individual terms of the sales agreement. For most sales, this occurs when the product is delivered to the customer.

#### Residential and Development division

##### *Development and sale of properties*

Through the Residential and Development division, the Group derives income from the sale of completed houses and apartments, and the sale of development sites surplus to Group requirements. Revenue is recognised when control passes to the customer for each type of transaction. Residential unit sales are commonly recognised at the time of settlement, when title passes to the customer and payment is received. Land development sales are recognised in line with the requirements of the specific sale and purchase agreement.

Performance obligations vary between the types of transactions. The sale of a completed house to a customer is a single performance obligation, as residential units are not constructed under contract from a customer. For development sales, the division reviews the terms of the sale to determine whether the performance obligations are distinct and separately identifiable.

|                                                    | Sale of building products and materials<br>NZ\$M | Development and sale of properties<br>NZ\$M | Construction contract revenue<br>NZ\$M | Maintenance contract revenue<br>NZ\$M | Total<br>NZ\$M |
|----------------------------------------------------|--------------------------------------------------|---------------------------------------------|----------------------------------------|---------------------------------------|----------------|
| <b>2023</b>                                        |                                                  |                                             |                                        |                                       |                |
| Goods and services transferred at a point in time  | 6,699                                            | 594                                         |                                        |                                       | 7,293          |
| Goods and services transferred over time           |                                                  |                                             | 644                                    | 532                                   | 1,176          |
| <b>Total revenue from contracts with customers</b> | <b>6,699</b>                                     | <b>594</b>                                  | <b>644</b>                             | <b>532</b>                            | <b>8,469</b>   |

|                                                    | Sale of building products and materials<br>NZ\$M | Development and sale of properties<br>NZ\$M | Construction contract revenue<br>NZ\$M | Maintenance contract revenue<br>NZ\$M | Total<br>NZ\$M |
|----------------------------------------------------|--------------------------------------------------|---------------------------------------------|----------------------------------------|---------------------------------------|----------------|
| <b>2022</b>                                        |                                                  |                                             |                                        |                                       |                |
| Goods and services transferred at a point in time  | 6,430                                            | 680                                         |                                        |                                       | 7,110          |
| Goods and services transferred over time           |                                                  |                                             | 851                                    | 537                                   | 1,388          |
| <b>Total revenue from contracts with customers</b> | <b>6,430</b>                                     | <b>680</b>                                  | <b>851</b>                             | <b>537</b>                            | <b>8,498</b>   |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 4. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's industry and geographical segments. The use of industry segments as the primary format is based on the Group's management and internal reporting structure, which recognises groups of assets and operations with similar risks and returns. Inter-segment pricing is determined on an arm's length basis.

#### Description of industry segments

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Building Products</b>           | The Building Products division is a manufacturer, distributor, and marketer of building products used in the residential, industrial and commercial markets in New Zealand.                                                                                                                                                                                                                                                                                                                                               |
| <b>Distribution</b>                | The Distribution division consists of building and plumbing product distribution businesses in New Zealand.                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Concrete</b>                    | The Concrete division includes the Group's interests in the concrete value chain, including extraction of aggregates, and the production of cement, concrete and concrete products. The division operates in New Zealand.                                                                                                                                                                                                                                                                                                 |
| <b>Australia</b>                   | The Australia division manufactures and distributes building materials for a broad range of industries across Australia.                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Residential and Development</b> | The Residential and Development division operates both in New Zealand and Australia. In New Zealand, the division's operations include building and sale of residential homes and apartments, development and sale of commercial and residential land, and management of retirement village assets. In Australia, the division's operations include development and sale of commercial and residential land. Development activity includes sale of land property which are surplus to the Group's operating requirements. |
| <b>Construction</b>                | The Construction division is a supplier of building and maintenance services for infrastructure projects across New Zealand and the South Pacific. The division is exiting the vertical building sector, with NZICC being the last project for the Group.                                                                                                                                                                                                                                                                 |

| Industry segments                    | Gross revenue<br>2023<br>NZ\$M | Restated <sup>(1)</sup><br>Gross revenue<br>2022<br>NZ\$M | External revenue<br>2023<br>NZ\$M | Restated <sup>(1)</sup><br>External revenue<br>2022<br>NZ\$M |
|--------------------------------------|--------------------------------|-----------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|
| Building Products                    | 1,443                          | 1,458                                                     | 1,154                             | 1,155                                                        |
| Distribution                         | 1,824                          | 1,789                                                     | 1,792                             | 1,764                                                        |
| Concrete                             | 1,085                          | 1,033                                                     | 800                               | 772                                                          |
| Australia                            | 3,016                          | 2,806                                                     | 2,953                             | 2,740                                                        |
| Materials and distribution divisions | 7,368                          | 7,086                                                     | 6,699                             | 6,431                                                        |
| Residential and Development          | 607                            | 692                                                       | 594                               | 680                                                          |
| Construction                         | 1,319                          | 1,559                                                     | 1,176                             | 1,387                                                        |
| Corporate and other                  | 10                             | 11                                                        |                                   |                                                              |
| Group                                | 9,304                          | 9,348                                                     | 8,469                             | 8,498                                                        |
| Less: intercompany revenue           | (835)                          | (850)                                                     |                                   |                                                              |
| External revenue                     | 8,469                          | 8,498                                                     | 8,469                             | 8,498                                                        |

Note: Revenue includes income from the Group's Vertical Buildings Business (2023: \$101 million; 2022: \$265 million), which the Group is in the process of exiting. The New Zealand International Convention Centre and Hobson Street Hotel (NZICC) represent the last projects to complete in this sector. EBIT before significant items, however, excludes any earnings from these projects.

|                                      | EBIT before<br>significant items<br>2023<br>NZ\$M | Restated <sup>(1)</sup><br>EBIT before<br>significant items<br>2022<br>NZ\$M | Funds*<br>2023<br>NZ\$M | Restated <sup>(1)</sup><br>Funds*<br>2022<br>NZ\$M |
|--------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------|-------------------------|----------------------------------------------------|
| Building Products                    | 215                                               | 192                                                                          | 1,210                   | 892                                                |
| Distribution                         | 141                                               | 137                                                                          | 312                     | 246                                                |
| Concrete                             | 156                                               | 146                                                                          | 789                     | 729                                                |
| Australia                            | 180                                               | 113                                                                          | 1,368                   | 1,365                                              |
| Materials and distribution divisions | 692                                               | 588                                                                          | 3,679                   | 3,232                                              |
| Residential and Development          | 147                                               | 217                                                                          | 915                     | 651                                                |
| Construction                         | 26                                                | 14                                                                           | 85                      | 278                                                |
| Corporate and other                  | (67)                                              | (63)                                                                         | (1,002)                 | (396)                                              |
| Group                                | 798                                               | 756                                                                          | 3,677                   | 3,765                                              |

(1) The comparatives have been restated as a result of a change in segmental reclassification. Humes Pipeline Systems which was previously under the Building Products division have been re-presented under the Concrete division. This results in an increase to the Concrete division and decrease in Building Products division of the comparative Gross Revenue (June 2022: \$152 million), External Revenue (June 2022: \$146 million), EBIT before significant items (June 2022: \$18 million), Funds base (June 2022: \$132 million), Depreciation, depletion and amortisation expense (June 2022: \$6 million) and Capital expenditure (June 2022: \$13 million) recognised.

\* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes. Group balances such as borrowings and taxation are allocated to Corporate as these are managed at a Group level.

## Notes to the Consolidated Financial Statements 2023 (Continued)

|                                      | Depreciation,<br>depletion and<br>amortisation<br>expense<br>2023<br>NZ\$M | Restated <sup>(1)</sup><br>Depreciation,<br>depletion and<br>amortisation<br>expense 2022<br>NZ\$M | Capital<br>expenditure*<br>2023<br>NZ\$M | Restated <sup>(1)</sup><br>Capital<br>expenditure*<br>2022<br>NZ\$M |
|--------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|
| Building Products                    | 48                                                                         | 46                                                                                                 | 191                                      | 191                                                                 |
| Distribution                         | 53                                                                         | 48                                                                                                 | 62                                       | 11                                                                  |
| Concrete                             | 70                                                                         | 72                                                                                                 | 65                                       | 94                                                                  |
| Australia                            | 132                                                                        | 128                                                                                                | 59                                       | 55                                                                  |
| Materials and distribution divisions | 303                                                                        | 294                                                                                                | 377                                      | 351                                                                 |
| Residential and Development          | 3                                                                          | 3                                                                                                  | 23                                       | 8                                                                   |
| Construction                         | 39                                                                         | 41                                                                                                 | 19                                       | 29                                                                  |
| Corporate and other                  | 13                                                                         | 12                                                                                                 | 42                                       | 33                                                                  |
| Group                                | 358                                                                        | 350                                                                                                | 461                                      | 421                                                                 |

\* Capital expenditure represents additions to the balance sheet of property, plant and equipment and intangible assets, excluding the impacts of the investments/acquisitions of companies or businesses.

(1) The comparatives have been restated as a result of a change in segmental reclassification. Humes Pipeline Systems which was previously under the Building Products division have been re-presented under the Concrete division. This results in an increase to the Concrete division and decrease in Building Products division of the comparative Gross Revenue (June 2022: \$152 million), External Revenue (June 2022: \$146 million), EBIT before significant items (June 2022: \$18 million), Funds base (June 2022: \$132 million), Depreciation, depletion and amortisation expense (June 2022: \$6 million) and Capital expenditure (June 2022: \$13 million) recognised.

### Geographic segments

|                                              | External revenue<br>2023<br>NZ\$M | External revenue<br>2022<br>NZ\$M | EBIT before<br>significant items<br>2023<br>NZ\$M | EBIT before<br>significant items<br>2022<br>NZ\$M |
|----------------------------------------------|-----------------------------------|-----------------------------------|---------------------------------------------------|---------------------------------------------------|
| New Zealand                                  | 5,353                             | 5,527                             | 612                                               | 594                                               |
| Australia                                    | 2,959                             | 2,813                             | 177                                               | 152                                               |
| Other jurisdictions                          | 157                               | 158                               | 9                                                 | 10                                                |
| Group                                        | 8,469                             | 8,498                             | 798                                               | 756                                               |
| Significant items (note 2.2)                 |                                   |                                   | (301)                                             | (54)                                              |
| Earnings before interest and taxation (EBIT) |                                   |                                   | 497                                               | 702                                               |

|                                     | Non-current assets*<br>2023<br>NZ\$M | Non-current assets*<br>2022<br>NZ\$M | Funds*<br>2023<br>NZ\$M | Funds*<br>2022<br>NZ\$M |
|-------------------------------------|--------------------------------------|--------------------------------------|-------------------------|-------------------------|
| New Zealand                         | 3,762                                | 3,101                                | 3,403                   | 2,788                   |
| Australia                           | 1,574                                | 1,634                                | 1,381                   | 1,424                   |
| Other (including debt and taxation) | 52                                   | 53                                   | (1,107)                 | (447)                   |
| Group                               | 5,388                                | 4,788                                | 3,677                   | 3,765                   |

\* Excludes deferred tax assets, retirement plan surplus and financial instruments.

\* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes. Group balances such as borrowings and taxation are allocated to Corporate as these are managed at a Group level.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 5. NET EARNINGS PER SHARE

Earnings per share is the portion of a company's profit allocated to each outstanding ordinary share and is calculated by dividing the earnings attributable to shareholders by the weighted average of ordinary shares on issue during the year including treasury stock. Capital notes and options are convertible into the Company's shares and may therefore result in dilutive securities for purposes of determining the diluted net earnings per share. The Group may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued but unpaid interest.

|                                                         | 2023         | 2022         |
|---------------------------------------------------------|--------------|--------------|
| Net earnings per share (cents)                          |              |              |
| Basic                                                   | 30.0         | 53.5         |
| Diluted                                                 | 28.4         | 50.3         |
| <b>Numerator</b>                                        | <b>NZ\$M</b> | <b>NZ\$M</b> |
| Net earnings                                            | 235          | 432          |
| Numerator for basic earnings per share                  | 235          | 432          |
| Dilutive capital notes                                  | 6            | 11           |
| <b>Numerator for diluted net earnings per share</b>     | <b>241</b>   | <b>443</b>   |
| <b>Denominator (millions of shares)</b>                 |              |              |
| Weighted average number of shares outstanding (note 20) | 783          | 807          |
| Conversion of dilutive capital notes                    | 65           | 73           |
| <b>Denominator for diluted net earnings per share</b>   | <b>848</b>   | <b>880</b>   |

### 6. CONSOLIDATED INCOME STATEMENT DISCLOSURES

|                                                                                                                             | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-----------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| The following items are specific disclosures required to be made and are included within the Consolidated Income Statement: |               |               |
| Net periodic pension cost                                                                                                   | 2             | 2             |
| Employee related short-term costs <sup>(1)</sup>                                                                            | 1,581         | 1,493         |
| Other long-term employee related benefits                                                                                   | 58            | 55            |
| Research and development expenditure                                                                                        | 5             | 2             |
| Amortisation of intangibles                                                                                                 | 16            | 18            |
| Bad debts written off                                                                                                       | 4             | 4             |
| Donations and sponsorships                                                                                                  | 4             | 3             |
| Maintenance and repairs                                                                                                     | 158           | 154           |
| Loss on disposal of property, plant and equipment                                                                           |               | 2             |

(1) Short-term employee benefits for the executive committee included in the above are disclosed in note 23.

#### Auditor's remuneration

|                                                             | 2023<br>NZ\$000's | 2022<br>NZ\$000's |
|-------------------------------------------------------------|-------------------|-------------------|
| Audit and review of the financial statements <sup>(1)</sup> | 3,652             | 3,284             |
| Total audit and assurance services                          | 3,652             | 3,284             |
| Other services <sup>(2)</sup>                               | 73                | 38                |
| Total non-assurance services                                | 73                | 38                |
| <b>Total auditor's remuneration</b>                         | <b>3,725</b>      | <b>3,322</b>      |

(1) The audit includes fees for both the annual audit of the financial statements and the review of the interim financial statements.

(2) Other services relate to agreed upon procedures (\$10,000), taxation compliance (\$3,000), financial statement compilation services (\$10,000) and pre-assurance over non-financial metrics (\$50,000).

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Working Capital Management

This section provides details of the key elements of working capital which includes cash, receivables, inventories and short-term liabilities.

#### 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and demand deposits with banks that are readily convertible to cash.

Cash and cash equivalents include the Group's share of amounts held by joint operations of \$40 million (2022: \$15 million).

At 30 June 2023, approximately \$42 million (2022: \$37 million) of total cash and deposits were held in subsidiaries that operate in countries where exchange controls and other legal restrictions apply and are not immediately available for general use by the Group.

|                                  | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------|---------------|---------------|
| Cash and bank balances           | 271           | 148           |
| Contract retention bank balances | 18            | 17            |
| Short-term deposits              | 76            | 186           |
| Cash and cash equivalents        | 365           | 351           |

#### Reconciliation of net earnings to net cash from operating activities

|                                                                      | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------------------|---------------|---------------|
| Net earnings                                                         | 235           | 432           |
| Earnings attributable to minority interest                           | 19            | 7             |
|                                                                      | 254           | 439           |
| Add/(less) non-cash items:                                           |               |               |
| Depreciation, depletions and amortisation                            | 358           | 350           |
| Other non-cash items                                                 | 211           | (27)          |
| Taxation                                                             | (102)         | 146           |
| Net loss on disposal of businesses and property, plant and equipment |               | 45            |
|                                                                      | 467           | 514           |
| <b>Net working capital movements</b>                                 |               |               |
| Residential and Development                                          | (240)         | (103)         |
| Construction                                                         | (52)          | (55)          |
| Other divisions:                                                     |               |               |
| Debtors                                                              | 34            | (48)          |
| Inventories                                                          | 21            | (239)         |
| Creditors                                                            | (96)          | 84            |
|                                                                      | (333)         | (361)         |
| <b>Net cash from operating activities</b>                            | <b>388</b>    | <b>592</b>    |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 8. DEBTORS

Debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 90 days and are therefore all classified as current. Debtors are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's credit risk policies and the calculation of the loss allowance are provided in **note 18.3**.

|                                      | 2023<br>NZ\$M | 2022<br>NZ\$M |
|--------------------------------------|---------------|---------------|
| Trade debtors                        | 875           | 844           |
| Contract debtors                     | 126           | 124           |
| Contract retentions                  | 35            | 38            |
| Less expected credit loss provisions | (20)          | (20)          |
| Trade and contract debtors           | 1,016         | 986           |
| Other receivables                    | 160           | 289           |
|                                      | 1,176         | 1,275         |
| Current                              | 893           | 855           |
| 0 - 30 days over standard terms      | 94            | 104           |
| 31 - 60 days over standard terms     | 12            | 15            |
| 61+ days over standard terms         | 37            | 32            |
| Provision                            | (20)          | (20)          |
| Trade and contract debtors           | 1,016         | 986           |

#### *Fair values of debtors*

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

#### *Recoverability and risk exposure*

Information about the recoverability of trade receivables and the Group's exposure to foreign currency risk and credit risk can be found in **notes 18.1** and **18.3**.

### 9. INVENTORIES, INCLUDING LAND AND PROPERTY DEVELOPMENTS

#### *Raw materials, stores, work in progress and finished goods*

Raw materials, stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the first-in, first-out basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs and replacement costs in the consumable stores and spares necessary to make the sale.

#### *Property and land inventories*

Residential units and freehold land held for resale are stated at the lower of cost and net realisable value. Freehold land under development comprises land acquisition and development costs as well as any direct or indirectly attributable overheads. Residential units, both completed and under development, comprise apportioned land costs as well as direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling prices less all estimated costs of completion and overheads.

## Notes to the Consolidated Financial Statements 2023 (Continued)

|                                                          | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------|---------------|---------------|
| <b>Manufacturing, distribution and other inventories</b> |               |               |
| Raw materials                                            | 249           | 235           |
| Work in progress                                         | 16            | 14            |
| Finished goods                                           | 797           | 835           |
| Consumable stores and spare parts                        | 41            | 41            |
|                                                          | 1,103         | 1,125         |
| Inventories held at cost                                 | 1,003         | 986           |
| Inventories held at net realisable value                 | 100           | 139           |
|                                                          | 1,103         | 1,125         |
| <b>Property and land inventories</b>                     |               |               |
| Freehold land                                            | 26            | 26            |
| Freehold land under development                          | 455           | 303           |
| Properties under development                             | 364           | 273           |
| Completed properties                                     | 132           | 72            |
|                                                          | 977           | 674           |
| All property and land inventories are held at cost.      |               |               |
| <b>Total inventories</b>                                 |               |               |
| Current portion                                          | 1,624         | 1,507         |
| Non-current portion                                      | 456           | 292           |
|                                                          | 2,080         | 1,799         |

### *Inventory classified as non-current*

The non-current portion of inventories relates to land and developments that are expected to be held for greater than 12 months (current portion of \$522 million, 2022: \$382 million).

### *Land and property commitments*

The Group's Residential and Development division has commitments for the purchase of land and building services totalling \$455 million (2022: \$787 million), of which \$236 million is expected to be delivered in the year ending 30 June 2024.

### *Emissions units*

Emissions units held for own use are allocated to the Group under the New Zealand Emissions Trading Scheme (ETS) and used to settle the Group's emissions obligation. The units are initially recognised at cost with subsequent reassessment for lower of cost or net realisable value. Emissions units held by the Group as at 30 June 2023 have been recognised at nil value (2022: nil).

## 10. CREDITORS, ACCRUALS AND OTHER LIABILITIES

Trade creditors and other liabilities are stated at cost or estimated liability where accrued. Employee entitlements include annual leave which is recognised on an accrual basis and the liability for long service leave which is measured as the present value of expected future payments to be made in respect of services provided by employees.

Assumptions in determining long service leave relate to the discount rate, estimates relating to the expected future long service leave entitlements, future salary increases, attrition rates and mortality.

|                                               | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-----------------------------------------------|---------------|---------------|
| Trade creditors                               | 772           | 791           |
| Contract retentions                           | 23            | 23            |
| Accrued interest                              | 18            | 15            |
| Other liabilities                             | 429           | 455           |
| Employee entitlements                         | 219           | 247           |
| Workers' compensation schemes                 | 7             | 9             |
|                                               | 1,468         | 1,540         |
| Current portion                               | 1,416         | 1,512         |
| Non-current portion                           | 52            | 28            |
| <b>Carrying amount at the end of the year</b> | <b>1,468</b>  | <b>1,540</b>  |

The non-current portion of creditors and accruals as at 30 June 2023 primarily relates to long service employee entitlement obligations and deferred land purchases.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 11. PROVISIONS

Provisions for restructuring, service and environmental warranties and other provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses other than losses recognised on onerous contracts.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate at the end of the reporting period of the expenditure required to settle the present obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

#### Restructuring

Restructuring provisions are recognised when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan. Costs relating to ongoing activities are not provided for.

#### Warranty and environmental

Warranty provisions represent an estimate of potential liability for future rectification work in respect of products sold and services provided. Environmental provisions represent an estimate for future liabilities relating to environmental obligations.

#### Onerous contracts

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e. both incremental costs and an allocation of costs directly related to contract activities).

#### Other

Other provisions relate to miscellaneous matters, across the Group, including any make good provisions.

|                                               | Restructuring<br>NZ\$M | Warranty &<br>environmental<br>NZ\$M | Onerous<br>contracts<br>NZ\$M | Other<br>NZ\$M        | Total<br>NZ\$M        |
|-----------------------------------------------|------------------------|--------------------------------------|-------------------------------|-----------------------|-----------------------|
| <b>2023</b>                                   |                        |                                      |                               |                       |                       |
| Carrying amount at the beginning of the year  | 16                     | 25                                   | 78                            | 78                    | 197                   |
| Charged to earnings                           | 2                      | 7                                    | 255                           | 47                    | 311                   |
| Settled or utilised                           | (7)                    | (6)                                  | (52)                          | (22)                  | (87)                  |
| Released to earnings                          | (1)                    | (2)                                  |                               | (13)                  | (16)                  |
| Recognised on balance sheet                   |                        |                                      |                               | 28                    | 28                    |
| Currency translation                          | 1                      |                                      |                               |                       | 1                     |
|                                               | <b>11</b>              | <b>24</b>                            | <b>281</b>                    | <b>118</b>            | <b>434</b>            |
| <b>2022</b>                                   |                        |                                      |                               |                       |                       |
| Carrying amount at the beginning of the year  | 28                     | 28                                   | 84                            | 68                    | 208                   |
| Charged to earnings                           | 5                      | 4                                    |                               | 24                    | 33                    |
| Settled or utilised                           | (14)                   | (4)                                  | (6)                           | (15)                  | (39)                  |
| Released to earnings                          | (3)                    | (3)                                  |                               | (3)                   | (9)                   |
| Recognised on balance sheet                   |                        |                                      |                               | 3                     | 3                     |
| Currency translation                          |                        |                                      |                               | 1                     | 1                     |
|                                               | <b>16</b>              | <b>25</b>                            | <b>78</b>                     | <b>78</b>             | <b>197</b>            |
|                                               |                        |                                      |                               | <b>2023<br/>NZ\$M</b> | <b>2022<br/>NZ\$M</b> |
| Current portion                               |                        |                                      |                               | 403                   | 173                   |
| Non-current portion                           |                        |                                      |                               | 31                    | 24                    |
| <b>Carrying amount at the end of the year</b> |                        |                                      |                               | <b>434</b>            | <b>197</b>            |

During the year, the Group utilised \$7 million (2022: \$14 million) in respect of restructuring obligations across various businesses. The \$11 million remaining provision, in relation to restructuring, is expected to be utilised within the next 12 months. Warranty and environmental provisions are expected to be utilised over the next two years. Onerous contracts include a charge to earnings of \$255 million associated with the completion of the NZICC project (refer to **note 2.6**). Other provisions include a charge to earnings for the recognition of a fund related to the Iplex® Australia Pro-fit pipes matter (refer to **note 25**), and an additional provision for the settlement of silicosis claims in Australia.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Silicosis

Laminex® Australia (together with other engineered stone manufacturers and fabricators in Australia) is the subject of a number of silica related personal injury claims in Australia and more such claims were received in the period ended 30 June 2023. While Laminex® Australia has settled the majority of claims that have been brought against it to date, further claims are possible in the future. The Group has considered the exposure Laminex® Australia may have for existing and future claims, with a provision recognised based on the facts and circumstances known at balance date. In FY23, an additional A\$7.5 million provision for these costs has been made, which has been classified as Significant items. Despite the information obtained from settling claims in recent years, the Group's full exposure to these claims remain significantly uncertain, with risk associated to:

- the number of claims that may be received and the timing of them;
- the nature of those claims and the amounts sought to be recovered, which vary considerably based on the condition and circumstances of the injured worker;
- the size of any settlement amounts agreed or damages awarded, particularly given different laws in various States; and
- the degree to which other parties, such as the worker's employer and other manufacturers, are liable to (and do) contribute to any amount owed to the worker.

So there remains a risk that, ultimately, the final exposure of Laminex® Australia to these claims will be greater than the amount currently allowed.

### Product Claims

Fletcher Insulation® Australia is the subject of a small number of customer complaints relating to installed glass wool insulation containing an imported foil. Fletcher Insulation® is currently investigating the complaints to ascertain the cause and extent of the issue, including whether any other products may be impacted. Fletcher Building's New Zealand insulation business, Comfortech®, did not use the same imported foil. The Group has considered the exposure Fletcher Insulation® Australia may have for the existing and future claims, with a provision recognised based on the facts and circumstances known at balance date. Fletcher Insulation® Australia is also assessing potential recoveries from its supplier of the product. There remains a risk that the Groups full exposure will be greater than the amount currently allowed as investigations are completed.

## Long-term Investments

This section details the long-term assets of the Group including property, plant and equipment, investment property, intangible assets and leases.

### 12. PROPERTY, PLANT AND EQUIPMENT

Land, buildings, plant and machinery and fixtures and fittings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of purchasing land, buildings, plant and machinery, fixtures and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and the condition necessary for their intended service, including subsequent expenditure. To the extent acquisition, development and construction of capital projects extend over a period of 12 months, attributable borrowing costs are capitalised as part of the cost of the asset while the asset is being developed or constructed. On completion of development, all assets included in assets under construction are reclassified appropriately into the relevant categories of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Consolidated Income Statement during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated on the straight line method. Expected useful lives, which are regularly reviewed, typically range between:

|                        |             |
|------------------------|-------------|
| Buildings              | 30–50 years |
| Plant and machinery    | 5–15 years  |
| Fixtures and equipment | 2–10 years  |

Resource extraction assets are held at historic cost and depleted over the shorter of the life of the site or right to use period. Site development costs incurred in order to commence extraction are capitalised as resource extraction assets.

Assets are reviewed annually for impairment indicators. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Income Statement.

## Notes to the Consolidated Financial Statements 2023 (Continued)

| 2023                                        | Land<br>NZ\$M | Buildings<br>NZ\$M | Plant &<br>Machinery<br>NZ\$M | Fixtures &<br>Equipment<br>NZ\$M | Resource<br>Extraction<br>NZ\$M | Total<br>NZ\$M |
|---------------------------------------------|---------------|--------------------|-------------------------------|----------------------------------|---------------------------------|----------------|
| Carrying value at the beginning of the year | 183           | 259                | 1,123                         | 133                              | 102                             | 1,800          |
| Additions                                   | 68            | 63                 | 209                           | 40                               | 11                              | 391            |
| Acquisitions from business combination      | 10            | 8                  | 48                            | 2                                |                                 | 68             |
| Disposals                                   | (1)           | (1)                | (2)                           | (2)                              |                                 | (6)            |
| Depreciation expense                        |               | (9)                | (98)                          | (32)                             | (9)                             | (148)          |
| Reversal of impairment                      | 4             |                    |                               |                                  |                                 | 4              |
| Impairment                                  |               |                    | (6)                           |                                  |                                 | (6)            |
| Transfer of assets to inventory             | (22)          | (2)                |                               | (1)                              |                                 | (25)           |
| Currency translation                        |               | (2)                | (4)                           |                                  |                                 | (6)            |
|                                             | <b>242</b>    | <b>316</b>         | <b>1,270</b>                  | <b>140</b>                       | <b>104</b>                      | <b>2,072</b>   |

### Represented by:

|                                              |            |            |              |            |            |              |
|----------------------------------------------|------------|------------|--------------|------------|------------|--------------|
| Cost                                         | 242        | 448        | 2,678        | 417        | 147        | 3,932        |
| Accumulated depreciation and impairment      |            | (132)      | (1,408)      | (277)      | (43)       | (1,860)      |
| <b>Carrying value at the end of the year</b> | <b>242</b> | <b>316</b> | <b>1,270</b> | <b>140</b> | <b>104</b> | <b>2,072</b> |

| 2022                                        | Land<br>NZ\$M | Buildings<br>NZ\$M | Plant &<br>Machinery<br>NZ\$M | Fixtures &<br>Equipment<br>NZ\$M | Resource<br>Extraction<br>NZ\$M | Total<br>NZ\$M |
|---------------------------------------------|---------------|--------------------|-------------------------------|----------------------------------|---------------------------------|----------------|
| Carrying value at the beginning of the year | 161           | 194                | 1,012                         | 133                              | 86                              | 1,586          |
| Additions                                   | 27            | 78                 | 207                           | 31                               | 28                              | 371            |
| Acquisitions from business combination      |               |                    |                               |                                  |                                 |                |
| Disposals                                   |               |                    | (7)                           | (1)                              |                                 | (8)            |
| Depreciation expense                        |               | (8)                | (98)                          | (30)                             | (11)                            | (147)          |
| Impairment                                  |               |                    |                               |                                  |                                 |                |
| Transfer of assets to inventory             | (6)           | (6)                |                               |                                  | (1)                             | (13)           |
| Currency translation                        | 1             | 1                  | 9                             |                                  |                                 | 11             |
|                                             | <b>183</b>    | <b>259</b>         | <b>1,123</b>                  | <b>133</b>                       | <b>102</b>                      | <b>1,800</b>   |

### Represented by:

|                                              |            |            |              |            |            |              |
|----------------------------------------------|------------|------------|--------------|------------|------------|--------------|
| Cost                                         | 187        | 386        | 2,474        | 409        | 142        | 3,598        |
| Accumulated depreciation and impairment      | (4)        | (127)      | (1,351)      | (276)      | (40)       | (1,798)      |
| <b>Carrying value at the end of the year</b> | <b>183</b> | <b>259</b> | <b>1,123</b> | <b>133</b> | <b>102</b> | <b>1,800</b> |

As at 30 June 2023, property, plant and equipment includes \$607 million of assets under construction that are not depreciated until they are commissioned and brought into use (2022: \$454 million).

### Physical impacts from climate-related risk

In FY22, the Group appointed Aon New Zealand to assess climate transitional and physical related risks and issued its first **Climate-related Disclosure**. The physical risk assessment was a refresh of an exercise completed by Aon New Zealand in 2020 using the 'reasonable worst case' climate scenario known as RCP8.5 against a 2030 and 2070 timeframe. The assessment focused on a number of climate-related hazards, including rainfall, temperature, sea level rise and extreme storm events. The assessment generated a number of key outputs including:

- that no material change in risk is expected in the 2030 timeframe;
- some change in risk is expected for the 2070 timeframe due to changes in climate stressors; and
- less than 2% of the Group's asset value has high or extreme flood hazard exposure.

During the year, there were property damages and direct remedial works resulting from the impacts of Cyclone Gabrielle and North Island Floods in New Zealand, which amounted to \$22 million as detailed in **note 2.2**. Those businesses and locations impacted, are included within the 2% of identified Groups assets exposed to high or extreme flood hazards per the report. Overall, the analysis quantified a physical risk which is not material to the Group's future cash flows. The analysis confirmed no change to the expected useful economic lives of non-current assets as disclosed.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 13. INVESTMENT PROPERTY

The Group's investment property primarily relates to Vivid Living®, the Group's retirement operations, and is held for long-term yields and is not occupied by the Group. The Group's investment property includes freehold development land and building units under development including adjacent common facilities.

Investment property is initially measured at cost and includes land and property construction costs, together with any directly attributable overheads of bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

The Group applies the fair value model for subsequent measurement of its development land and completed retirement units, with any resulting gain or loss being recognised in the Consolidated Income Statement. The measurement of fair value is within the scope of NZ IFRS 13 Fair Value Measurement, and determined by way of an independent valuation undertaken of the retirement village assets in accordance with professional valuation standards as at 30 June 2023.

All investment property has been determined to be level 3 in the fair value hierarchy as the fair value is determined using inputs that are unobservable.

The Group's investment property is categorised as follows:

|                                             | 2023<br>NZ\$M | 2022<br>NZ\$M |
|---------------------------------------------|---------------|---------------|
| Development land at fair value              | 14            | 22            |
| Retirement units under construction at cost | 17            | 12            |
| Completed retirement units at fair value    | 27            |               |
|                                             | 58            | 34            |

Movement in the Group's investment property balances is outlined below:

|                            | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------|---------------|---------------|
| Opening balance            | 34            |               |
| Additions                  | 19            | 5             |
| Transferred from inventory | 3             | 20            |
| Transferred to inventory   | (14)          |               |
| Change in fair value       | 16            | 9             |
| Closing balance            | 58            | 34            |

The Group's interest in all completed investment property was valued on 30 June 2023 by Colliers Limited, at a total of \$27 million (2022: nil).

### 14. INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and accumulated impairment losses.

The Group's intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. Intangible assets with a definite life are amortised on a straight-line basis.

Goodwill is stated at cost, less any impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment, and when an indication of impairment exists. Brands for which all relevant factors indicate that there is no limit to the foreseeable net cash flows are considered to have an indefinite useful life and are held at cost and are not amortised but are subject to an annual impairment test.

For the purposes of considering whether there has been an impairment, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. When the book value of a group of assets exceeds the recoverable amount, an impairment loss arises and is recognised in the Consolidated Income Statement immediately.

Amortisation of definite life intangible assets are calculated on the straight line method. Expected useful lives, which are regularly reviewed, typically range between:

Intangible assets, including software                      5-15 years

*Cloud computing arrangements*

The Group recognises costs incurred in configuring or customising cloud application software as an intangible asset only if the activities create a resource that the Group can control and from which it expects to benefit. Such costs are amortised over the estimated useful life of the software application on a straight-line basis. The remaining useful life is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where the Group cannot determine whether it has control of the cloud application software, the arrangement is deemed to be a service contract and any implementation costs (i.e. cost incurred to configure or customise the cloud application software, are expensed to the Consolidated Income Statement as incurred).

## Notes to the Consolidated Financial Statements 2023 (Continued)

Where the provider of the cloud application software provides both configuration and customisation services, judgement is required to determine whether these services are distinct from the underlying use of the software application. Distinct configuration and customisation costs are expensed as incurred as the software application is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs, that significantly enhance or modify the cloud-based application, are recognised as a prepaid asset and expensed over the contract term on a straight-line basis.

To the extent the acquisition and development of capital intangible projects extend over a period of 12 months, attributable borrowing costs are capitalised as part of the cost of the asset while the asset is being developed. On completion, all cost included in asset under development are reclassified as Other Intangibles and amortised when available for use.

Assessing the carrying value of goodwill and indefinite life brands requires management to estimate future cash flows to be generated by the related cash-generating unit. The key assumptions used in the value-in-use or fair value less costs of disposal basis include the expected rate of growth of revenues and earnings, the terminal growth rate and the appropriate discount rate to apply, and are detailed in note 2.3.

|                                              | Goodwill<br>NZ\$M | Brands<br>NZ\$M | Other<br>Intangibles<br>NZ\$M | Total<br>NZ\$M |
|----------------------------------------------|-------------------|-----------------|-------------------------------|----------------|
| <b>2023</b>                                  |                   |                 |                               |                |
| Carrying value at the beginning of the year  | 717               | 289             | 110                           | 1,116          |
| Additions                                    |                   |                 | 53                            | 53             |
| Disposals                                    |                   |                 | (3)                           | (3)            |
| Acquired from business combination           | 110               |                 |                               | 110            |
| Impairment                                   |                   |                 | (1)                           | (1)            |
| Amortisation expense                         |                   |                 | (16)                          | (16)           |
| Currency translation                         | (4)               | (2)             |                               | (6)            |
|                                              | <b>823</b>        | <b>287</b>      | <b>143</b>                    | <b>1,253</b>   |
| <i>Represented by:</i>                       |                   |                 |                               |                |
| Cost                                         | 823               | 367             | 310                           | 1,500          |
| Accumulated impairment/amortisation          |                   | (80)            | (167)                         | (247)          |
| <b>Carrying value at the end of the year</b> | <b>823</b>        | <b>287</b>      | <b>143</b>                    | <b>1,253</b>   |
|                                              |                   |                 |                               |                |
|                                              | Goodwill<br>NZ\$M | Brands<br>NZ\$M | Other<br>Intangibles<br>NZ\$M | Total<br>NZ\$M |
| <b>2022</b>                                  |                   |                 |                               |                |
| Carrying value at the beginning of the year  | 706               | 282             | 82                            | 1,070          |
| Additions                                    |                   |                 | 45                            | 45             |
| Disposals                                    |                   |                 |                               |                |
| Acquired from business combination           |                   |                 |                               |                |
| Impairment                                   |                   |                 | (1)                           | (1)            |
| Amortisation expense                         |                   |                 | (18)                          | (18)           |
| Currency translation                         | 11                | 7               | 2                             | 20             |
|                                              | <b>717</b>        | <b>289</b>      | <b>110</b>                    | <b>1,116</b>   |
| <i>Represented by:</i>                       |                   |                 |                               |                |
| Cost                                         | 717               | 370             | 260                           | 1,347          |
| Accumulated impairment/amortisation          |                   | (81)            | (150)                         | (231)          |
| <b>Carrying value at the end of the year</b> | <b>717</b>        | <b>289</b>      | <b>110</b>                    | <b>1,116</b>   |

As at 30 June 2023, Other intangible assets include \$82 million of assets under development (2022: \$42 million).

## Notes to the Consolidated Financial Statements 2023 (Continued)

|                                                                            | Goodwill<br>2023<br>NZ\$M | Goodwill<br>2022<br>NZ\$M | Brands<br>2023<br>NZ\$M | Brands<br>2022<br>NZ\$M |
|----------------------------------------------------------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
| <b>Significant intangible balances within cash-generating units (CGUs)</b> |                           |                           |                         |                         |
| Laminex® Australia                                                         | 157                       | 159                       | 124                     | 126                     |
| Higgins® New Zealand                                                       | 114                       | 114                       | 19                      | 19                      |
| Iplex® New Zealand                                                         | 105                       | 105                       | 7                       | 7                       |
| Stramit®                                                                   | 62                        | 63                        | 41                      | 42                      |
| Tradelink®                                                                 | 62                        | 63                        | 53                      | 53                      |
| PlaceMakers®                                                               | 56                        | 18                        |                         |                         |
| Waipapa                                                                    | 57                        |                           |                         |                         |
| Higgins® Fiji                                                              | 32                        | 32                        | 2                       | 2                       |
| Other                                                                      | 178                       | 163                       | 41                      | 40                      |
|                                                                            | <b>823</b>                | <b>717</b>                | <b>287</b>              | <b>289</b>              |

The goodwill allocated to significant CGUs accounts for 78% (2022 restated to include PlaceMakers®: 77%) of the total carrying value of goodwill. The remaining 'other' CGUs, which comprise 12 (2022 restated to exclude PlaceMakers®: 12) in total, are each less than 6% of total carrying value. The significant brand assets account for 86% (2022 restated to include PlaceMakers®: 86%) of the total carrying value of brands. The remaining 'other' brand assets are each less than 5% of total carrying value (2022: 5%).

## 15. LEASES

The Group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods, but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for property leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost and include, after consideration of the initial measurement of the lease liability, any lease incentives, initial direct costs and any make-good costs associated with the lease. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If it is reasonably certain the Group will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The Group has some lease contracts that include extension options. The Group assesses at lease commencement date whether it is reasonably certain it will exercise the extension options. The Group reassesses whether it is reasonably certain it will exercise the options if there is a significant event or significant change in circumstances within its control. These options provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As at 30 June 2023, the four largest property lease contracts (2022: five) have all related extension options included in the estimated lease term (where management is reasonably certain to exercise the options), resulting in future lease payments being included in the measurement of the lease liability recorded in the Consolidated Balance Sheet.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Right-of-use assets

| 2023                                                       | Land<br>NZ\$M | Buildings<br>NZ\$M | Plant &<br>machinery<br>NZ\$M | Total<br>NZ\$M |
|------------------------------------------------------------|---------------|--------------------|-------------------------------|----------------|
| <b>Opening net book value at the beginning of the year</b> | <b>12</b>     | <b>1,135</b>       | <b>204</b>                    | <b>1,351</b>   |
| Additions and renewals                                     |               | 102                | 75                            | 177            |
| Acquisitions from business combination                     | 1             | 24                 |                               | 25             |
| Depreciation                                               | (1)           | (126)              | (67)                          | (194)          |
| Impairment                                                 |               |                    |                               |                |
| Terminations                                               |               | (31)               | (1)                           | (32)           |
| Currency translation                                       |               | (2)                | (1)                           | (3)            |
| <b>Closing balance at the end of the year</b>              | <b>12</b>     | <b>1,102</b>       | <b>210</b>                    | <b>1,324</b>   |

| 2022                                                       |           |              |            |              |
|------------------------------------------------------------|-----------|--------------|------------|--------------|
| <b>Opening net book value at the beginning of the year</b> | <b>13</b> | <b>1,172</b> | <b>207</b> | <b>1,392</b> |
| Additions and renewals                                     | 2         | 128          | 60         | 190          |
| Acquisitions from business combination                     |           |              |            |              |
| Depreciation                                               | (1)       | (119)        | (65)       | (185)        |
| Impairment                                                 |           | (1)          |            | (1)          |
| Terminations                                               |           | (58)         | (1)        | (59)         |
| Currency translation                                       | (2)       | 13           | 3          | 14           |
| <b>Closing balance at the end of the year</b>              | <b>12</b> | <b>1,135</b> | <b>204</b> | <b>1,351</b> |

|                                        | Total<br>2023<br>NZ\$M | Total<br>2022<br>NZ\$M |
|----------------------------------------|------------------------|------------------------|
| <b>Lease liabilities</b>               |                        |                        |
| <b>Opening balance</b>                 | <b>1,655</b>           | <b>1,697</b>           |
| Additions and renewals                 | 177                    | 190                    |
| Acquisitions from business combination | 25                     |                        |
| Repayments                             | (196)                  | (186)                  |
| Terminations                           | (59)                   | (62)                   |
| Currency translation                   | (6)                    | 16                     |
| <b>Closing balance</b>                 | <b>1,596</b>           | <b>1,655</b>           |

|                                               |              |              |
|-----------------------------------------------|--------------|--------------|
| Current portion                               | 192          | 185          |
| Non-current portion                           | 1,404        | 1,470        |
| <b>Carrying amount at the end of the year</b> | <b>1,596</b> | <b>1,655</b> |

|                                                                   | Total<br>2023<br>NZ\$M | Total<br>2022<br>NZ\$M |
|-------------------------------------------------------------------|------------------------|------------------------|
| <b>Lease expenses recognised in Consolidated Income Statement</b> |                        |                        |
| Right-of-use asset depreciation                                   | 194                    | 185                    |
| Right-of-use asset impairment                                     |                        | 1                      |
| Lease interest expense                                            | 60                     | 58                     |
| Short-term and low-value lease asset expense                      | 59                     | 53                     |
|                                                                   | <b>313</b>             | <b>297</b>             |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Funding and Financial Risk Management

This section includes details on the Group's funding and outlines the market, credit and liquidity risks that the Group is exposed to and how these risks are managed, including the use of derivative financial instruments.

#### Capital risk management

The Group's objectives when managing capital are to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure that safeguards the Group's ability to continue as a going concern. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, undertake share buybacks, issue new shares or sell assets to reduce net debt.

The Group has various debt facilities and covenants in place. A key measure is a through-the-cycle net debt to EBITDA ratio (leverage). Net debt represents the value of the Group's drawn borrowings adjusted for debt hedging activities and available cash funding. The target leverage ratio range for the group is 1.0 to 2.0 times. It is intended that the Group will not be materially outside the target leverage ratio range on a long-term basis.

The Group does not currently hold a credit rating from an accredited rating agency.

### 16. BORROWINGS

The Group borrows in the form of private placements, bank loans, capital notes and other financial instruments. Funding costs associated with the Group's borrowings are shown in **note 17**.

Borrowings are initially recognised at fair value net of attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Any borrowings that have been designated as hedged items (USD and any other foreign currency borrowings) are carried at amortised cost plus a fair value adjustment under hedge accounting requirements. Borrowings denominated in foreign currencies are retranslated to the functional currency at each reporting date.

Economic debt represents the face value of drawn borrowings adjusted for foreign currency movements hedged with derivative instruments. The Group uses cross currency interest rate swaps, interest rate swaps and forward foreign exchange contracts to manage its exposure to interest rates and borrowings sourced in currencies different from that of the borrowing entity's reporting currency. Details of debt hedging activities and instruments used are included in **note 18**.

#### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's net debt arising from financing activities, including both cash and non-cash changes.

|                                                                                       | 2022<br>NZ\$M | Cash flows<br>NZ\$M | Currency<br>translation<br>NZ\$M | Other non-cash<br>movements<br>(including hedge<br>accounting)<br>NZ\$M | 2023<br>NZ\$M |
|---------------------------------------------------------------------------------------|---------------|---------------------|----------------------------------|-------------------------------------------------------------------------|---------------|
| Private placements                                                                    | 481           |                     | 16                               | (13)                                                                    | 484           |
| Bank loans                                                                            | 180           | 773                 | (7)                              |                                                                         | 946           |
| Capital notes                                                                         | 350           | (6)                 |                                  | (1)                                                                     | 343           |
| Other loans                                                                           | 29            | 1                   |                                  |                                                                         | 30            |
| <b>Carrying value of borrowings (as per balance sheet)</b>                            | <b>1,040</b>  | <b>768</b>          | <b>9</b>                         | <b>(14)</b>                                                             | <b>1,803</b>  |
| Less: value of derivatives used to manage changes in hedged risks on debt instruments | (19)          | (3)                 | (16)                             | 12                                                                      | (26)          |
| <b>Economic debt</b>                                                                  | <b>1,021</b>  | <b>765</b>          | <b>(7)</b>                       | <b>(2)</b>                                                              | <b>1,777</b>  |
| Less: Cash and cash equivalents                                                       | (351)         | (16)                | 2                                |                                                                         | (365)         |
| <b>Net debt</b>                                                                       | <b>670</b>    | <b>749</b>          | <b>(5)</b>                       | <b>(2)</b>                                                              | <b>1,412</b>  |

## Notes to the Consolidated Financial Statements 2023 (Continued)

|                                                                                          | 2021<br>NZ\$M | Cash flows<br>NZ\$M | Currency<br>translation<br>NZ\$M | Other non-cash<br>movements<br>(including hedge<br>accounting)<br>NZ\$M | 2022<br>NZ\$M |
|------------------------------------------------------------------------------------------|---------------|---------------------|----------------------------------|-------------------------------------------------------------------------|---------------|
| Private placements                                                                       | 476           |                     | 44                               | (39)                                                                    | 481           |
| Bank loans                                                                               |               | 180                 |                                  |                                                                         | 180           |
| Capital notes                                                                            | 361           | (10)                |                                  | (1)                                                                     | 350           |
| Other loans                                                                              | 20            |                     | 2                                | 7                                                                       | 29            |
| <b>Carrying value of borrowings (as per balance sheet)</b>                               | <b>857</b>    | <b>170</b>          | <b>46</b>                        | <b>(33)</b>                                                             | <b>1,040</b>  |
| Less: value of derivatives used to manage changes in<br>hedged risks on debt instruments | (18)          | (4)                 | (36)                             | 39                                                                      | (19)          |
| <b>Economic debt</b>                                                                     | <b>839</b>    | <b>166</b>          | <b>10</b>                        | <b>6</b>                                                                | <b>1,021</b>  |
| Less: Cash and cash equivalents                                                          | (666)         | 321                 | (6)                              |                                                                         | (351)         |
| <b>Net debt</b>                                                                          | <b>173</b>    | <b>487</b>          | <b>4</b>                         | <b>6</b>                                                                | <b>670</b>    |

### Carrying value of borrowings included within the Consolidated Balance Sheet as follows:

|                         | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-------------------------|---------------|---------------|
| Current borrowings      | 88            | 64            |
| Non-current borrowings  | 1,715         | 976           |
| <b>Total borrowings</b> | <b>1,803</b>  | <b>1,040</b>  |

At reporting date, the Group had the following funding facilities:

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Utilised facilities             | 1,777        | 1,021        |
| Unutilised bank loan facilities | 1,014        | 745          |
| <b>Total facilities</b>         | <b>2,791</b> | <b>1,766</b> |

### Private placements

Private placements comprise loans of USD246 million, CAD15 million, EUR41 million and GBP10 million with maturities between 2026 and 2028.

### Capital notes

At 30 June 2023, the Group had issued \$343 million of listed capital notes to retail investors (2022: \$350 million) with maturities between 2024 and 2028. The capital notes do not carry voting rights and do not participate in any change in value of the issued shares of Fletcher Building Limited.

### Listed capital notes

Listed capital notes are fixed rate unsecured subordinated debt instruments that are traded on the NZDX. On election date, holders may choose either to keep their capital notes on new terms or convert the principal amount and any interest into shares of Fletcher Building Limited, at approximately 98% of the market price. Instead of issuing shares to holders who choose to convert, Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued interest. If the principal amount of these notes held at 30 June 2023 were to be converted to shares, \$65 million (2022: 71 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2023, of \$5.42 (2022: \$5.04).

As at 30 June 2023, the Group held \$157 million (2022: \$151 million) of its own capital notes.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Bank Loans

At 30 June 2023, the Group had a NZD925 million (2022: \$925 million) and AUD674.5 million (2022: nil) syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis. The participating lenders are both New Zealand registered and offshore banks. The facility comprises of four Tranches as follows: AUD674.5 million expiring on 31 October 2025, NZD325 million expiring on 22 November 2026, NZD400 million expiring on 1 July 2027 and NZD200 million expiring on 31 May 2028. The funds under the syndicated revolving credit facility can be borrowed in Australian and New Zealand dollars only.

Below are the activities in relation to the syndicated revolving credit facility and other bank loans during the year:

- On 31 October 2022, the AUD674.5 million three year Tranche was added to the syndicated revolving credit facility. This Tranche can be borrowed in Australian Dollars only.
- On 31 May 2023, the NZD200 million Tranche of the syndicated revolving credit facility was extended from 22 July 2024 to 31 May 2028.

There were no other material changes to the terms of the syndicated revolving credit facility.

On 28 June 2023, the Group executed a NZD300 million revolving credit facility with Westpac New Zealand Limited, expiring on 31 October 2024. As at 30 June 2023, no drawdowns have been made from the facility.

### Other Loans

At 30 June 2023, the Group had other loans of \$30 million (2022: \$29 million) some of which were subject to the negative pledge and some secured (\$7 million). Other loans include bank overdrafts, short-term loans, working capital facilities and vendor loans.

### Negative pledge

The Group borrows certain funds based on a negative pledge arrangement. The negative pledge includes a cross guarantee between a number of wholly owned subsidiaries and ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in very limited circumstances. At 30 June 2023, the Group had debt subject to the negative pledge of \$1,424 million (2022: \$660 million).

### Covenants

The Group's financial covenants under its senior borrowing arrangements include interest cover and leverage ratio. The Group was in compliance with all financial covenants during the year and at balance date.

The impact of debt hedging activities on borrowings is represented in the table below:

| 2023                          | Underlying borrowing exposure |                        |                               | Economic debt exposure |                        |            |
|-------------------------------|-------------------------------|------------------------|-------------------------------|------------------------|------------------------|------------|
|                               | Fixed rate<br>NZ\$M           | Floating rate<br>NZ\$M | Impact of<br>hedging<br>NZ\$M | Fixed rate<br>NZ\$M    | Floating rate<br>NZ\$M | % Fixed    |
| <b>Currency of borrowings</b> |                               |                        |                               |                        |                        |            |
| New Zealand Dollar            | 351                           | 727                    | 354                           | 826                    | 606                    | 58%        |
| Australian Dollar             |                               | 227                    | 103                           | 256                    | 74                     | 77%        |
| British Pound                 | 21                            |                        | (21)                          |                        |                        |            |
| Canadian Dollar               | 19                            |                        | (19)                          |                        |                        |            |
| Euro                          | 74                            |                        | (74)                          |                        |                        |            |
| United States Dollar          | 369                           |                        | (369)                         |                        |                        |            |
| Other                         |                               | 15                     |                               |                        | 15                     |            |
| <b>Total</b>                  | <b>834</b>                    | <b>969</b>             | <b>(26)</b>                   | <b>1,082</b>           | <b>695</b>             | <b>61%</b> |
| 2022                          | Underlying borrowing exposure |                        |                               | Economic debt exposure |                        |            |
|                               | Fixed rate<br>NZ\$M           | Floating rate<br>NZ\$M | Impact of<br>hedging<br>NZ\$M | Fixed rate<br>NZ\$M    | Floating rate<br>NZ\$M | % Fixed    |
| <b>Currency of borrowings</b> |                               |                        |                               |                        |                        |            |
| New Zealand Dollar            | 357                           | 183                    | 133                           | 521                    | 152                    | 77%        |
| Australian Dollar             |                               | 4                      | 329                           | 260                    | 73                     | 78%        |
| British Pound                 | 20                            |                        | (20)                          |                        |                        |            |
| Canadian Dollar               | 19                            |                        | (19)                          |                        |                        |            |
| Euro                          | 70                            |                        | (70)                          |                        |                        |            |
| United States Dollar          | 372                           |                        | (372)                         |                        |                        |            |
| Other                         |                               | 15                     |                               |                        | 15                     |            |
| <b>Total</b>                  | <b>838</b>                    | <b>202</b>             | <b>(19)</b>                   | <b>781</b>             | <b>240</b>             | <b>76%</b> |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Liquidity and funding risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial commitments as they fall due. Funding risk is the risk that the Group under normal circumstances, will not be able to refinance its maturing debts in an orderly manner. The Group manages its liquidity and funding risk by maintaining a target level of undrawn committed credit facilities and an appropriate spread of maturity dates in respect of the Group's debt facilities that it reviews on an ongoing basis.

The following maturity analysis table sets out the remaining contractual undiscounted cash flows, including estimated interest payments for non-derivative financial liabilities and derivative financial instruments. Creditors and accruals are excluded from this analysis as they are not part of the Group's assessment of liquidity risk because these are offset by debtors with similar payment terms.

|                                                                      | Contractual<br>cash flows<br>NZ\$M | Up to 1 Year<br>NZ\$M | 1–2 Years<br>NZ\$M | 2–5 Years<br>NZ\$M | Over 5 Years<br>NZ\$M |
|----------------------------------------------------------------------|------------------------------------|-----------------------|--------------------|--------------------|-----------------------|
| <b>2023</b>                                                          |                                    |                       |                    |                    |                       |
| Bank loans                                                           | 946                                |                       |                    | 946                |                       |
| Capital notes                                                        | 343                                | 79                    | 80                 | 184                |                       |
| Private placements                                                   | 519                                |                       |                    | 283                | 236                   |
| Other loans                                                          | 30                                 | 15                    |                    | 15                 |                       |
| <b>Borrowings - principal cash flows</b>                             | <b>1,838</b>                       | <b>94</b>             | <b>80</b>          | <b>1,428</b>       | <b>236</b>            |
| Gross settled derivatives - to pay                                   | 458                                |                       |                    | 249                | 209                   |
| Gross settled derivatives - to receive                               | (519)                              |                       |                    | (283)              | (236)                 |
| <b>Debt derivatives financial instruments - principal cash flows</b> | <b>(61)</b>                        |                       |                    | <b>(34)</b>        | <b>(27)</b>           |
| <b>Total principal cash flows</b>                                    | <b>1,777</b>                       | <b>94</b>             | <b>80</b>          | <b>1,394</b>       | <b>209</b>            |
| <b>Contractual interest cash flows</b>                               | <b>183</b>                         | <b>63</b>             | <b>42</b>          | <b>75</b>          | <b>3</b>              |
| <b>Total lease cash flows</b>                                        | <b>1,861</b>                       | <b>224</b>            | <b>197</b>         | <b>467</b>         | <b>973</b>            |
| <b>Total contractual cash flows</b>                                  | <b>3,821</b>                       | <b>381</b>            | <b>319</b>         | <b>1,936</b>       | <b>1,185</b>          |
|                                                                      |                                    |                       |                    |                    |                       |
| <b>2022</b>                                                          |                                    |                       |                    |                    |                       |
| Bank loans                                                           | 180                                |                       |                    | 180                |                       |
| Capital notes                                                        | 350                                | 56                    | 69                 | 225                |                       |
| Private placements                                                   | 504                                |                       |                    | 274                | 230                   |
| Other loans                                                          | 29                                 | 7                     | 7                  | 15                 |                       |
| <b>Borrowings - principal cash flows</b>                             | <b>1,063</b>                       | <b>63</b>             | <b>76</b>          | <b>694</b>         | <b>230</b>            |
| Gross settled derivatives - to pay                                   | 684                                | 224                   |                    | 250                | 210                   |
| Gross settled derivatives - to receive                               | (726)                              | (222)                 |                    | (274)              | (230)                 |
| <b>Debt derivatives financial instruments - principal cash flows</b> | <b>(42)</b>                        | <b>2</b>              |                    | <b>(24)</b>        | <b>(20)</b>           |
| <b>Total principal cash flows</b>                                    | <b>1,021</b>                       | <b>65</b>             | <b>76</b>          | <b>670</b>         | <b>210</b>            |
| <b>Contractual interest cash flows</b>                               | <b>193</b>                         | <b>45</b>             | <b>42</b>          | <b>90</b>          | <b>16</b>             |
| <b>Total lease cash flows</b>                                        | <b>2,109</b>                       | <b>236</b>            | <b>216</b>         | <b>513</b>         | <b>1,144</b>          |
| <b>Total contractual cash flows</b>                                  | <b>3,323</b>                       | <b>346</b>            | <b>334</b>         | <b>1,273</b>       | <b>1,370</b>          |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 17. NET FUNDING COSTS

Interest income and expense are recognised on an accrual basis in the Consolidated Income Statement using the effective interest method.

Interest costs relating to qualifying assets under development are capitalised as a component of the cost of development or construction. Where funds are borrowed specifically for qualifying projects, the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings, the borrowing costs are capitalised based on the weighted average cost of borrowing. Borrowing costs incurred after commencement of commercial operations are expensed to the Consolidated Income Statement.

Funding costs also include the changes in fair value relating to derivatives used to manage interest rate risk, and the associated changes in fair value of the borrowings designated in a hedge relationship attributable to the hedged risk.

|                                                  | 2023<br>NZ\$M | 2022<br>NZ\$M |
|--------------------------------------------------|---------------|---------------|
| Interest income                                  | (4)           | (2)           |
| Interest on borrowings and derivatives           | 87            | 37            |
| Interest capitalised to balance sheet            | (5)           |               |
| Interest expense other                           | 4             | 1             |
| <b>Net interest expense</b>                      | <b>82</b>     | <b>36</b>     |
| Changes in fair value relating to:               |               |               |
| Borrowings designated in a hedging relationship  | 12            | 39            |
| Derivatives designated in a hedging relationship | (12)          | (39)          |
| <b>Total changes in fair value</b>               |               |               |
| Bank fees, registry and other expenses           | 1             | 1             |
| Line fees                                        | 11            | 7             |
| Other losses                                     |               | 2             |
| <b>Net funding costs</b>                         | <b>94</b>     | <b>46</b>     |

Included in interest on borrowings and derivatives is the net settlement of the Group's interest derivatives. This consists of \$35 million of interest income and \$44 million of interest expense (2022: \$21 million interest income; \$24 million interest expense). Other losses includes credit valuation adjustment (CVA)/debit valuation adjustments (DVA) on derivatives.

#### Capitalisation of borrowing costs

The Group funds capital projects with general borrowings and has applied a weighted average capitalisation rate of 5.20% in FY23, resulting in \$4.8 million of interest cost being capitalised to the balance sheet, mainly in relation to the new Winstone Wallboards® Tauriko plant.

#### Interest rate risk

At 30 June 2023, 61% of the Group's debt was subject to a fixed interest rate (2022: 76% fixed).

##### (i) Interest rate repricing

The following tables set out the interest rate repricing profile of interest bearing financial liabilities assuming floating rate facilities are utilised to maintain debt levels.

|                                | 2023<br>NZ\$M | 2024<br>NZ\$M | 2025<br>NZ\$M | 2026<br>NZ\$M | 2027<br>NZ\$M | 2028<br>NZ\$M |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Fixed financial liabilities    | 1,082         | 844           | 538           | 474           | 285           | 170           |
| Floating financial liabilities | 695           | 933           | 1,239         | 1,303         | 1,492         | 1,607         |
| <b>Economic Debt</b>           | <b>1,777</b>  | <b>1,777</b>  | <b>1,777</b>  | <b>1,777</b>  | <b>1,777</b>  | <b>1,777</b>  |
| % Fixed                        | 61%           | 48%           | 30%           | 27%           | 16%           | 10%           |

The Group's overall weighted average interest rate (based on year end borrowings) excluding fees is 5.74% (2022: 4.61%).

##### (ii) Interest rate risk

It is estimated an increase of 100 basis points in interest rates would result in an increase in the Group's interest costs by approximately \$7 million pre-tax on the Group's debt portfolio exposed to floating rates at balance date (2022: \$2.4 million) assuming that all other variables remain constant.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 18. FINANCIAL RISK MANAGEMENT

Exposures to credit, liquidity, foreign currency, interest rate and commodity price risks arise in the normal course of the Group's business. The principles under which these risks are managed are set out in policy documents approved by the Board. The policy documents identify the risks and set out the Group's objectives, policies and processes to measure, manage and report the risks. The policies are reviewed periodically to reflect changes in financial markets and the Group's businesses. Risk management is carried out in conjunction with the Group's central treasury function, which supports compliance with the risk management policies and procedures. Derivative financial instruments, including forward foreign exchange contracts, interest rate swaps, foreign currency swaps, cross currency interest rate swaps, options, forward rate agreements and commodity price swaps are utilised to reduce exposure to market risks. All the Group's derivative financial instruments are held to hedge risk on underlying assets, liabilities, and forecast and committed trading and funding transactions. The Group policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes.

The table below summarises the key financial market risks to the Group and how these risks are managed:

| Financial risk                                          | Description                                                                                                                                                                                                                                                                                                                   | Management of risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Foreign currency trade transaction risk<br>(i)          | Arises on the conversion of a business unit's foreign currency revenue and expenditure to its functional currency, such that a material loss or a gain may be incurred. This covers imports, exports, capital expenditure, and foreign currency bank accounts balances that are not in a business unit's functional currency. | It is Group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on committed transactions. The Group uses foreign currency forward contracts and foreign currency options to manage the risk on firm commitments and recognised material trade related exposures. The majority of these transactions have maturities of less than one year from the reporting date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Foreign currency balance sheet translation risk<br>(ii) | Arises due to the translation of the Group's foreign denominated assets and liabilities, overseas operations and subsidiaries to the company's functional currency of NZD, such that the Group's reporting of financial ratios would be materially affected.                                                                  | <p>It is the Group's policy to hedge this foreign currency translation risk by borrowing in the currency of the asset in proportion to the Group's target debt to debt plus equity ratio.</p> <p>Where the underlying debt in any currency does not equate to the required proportion of total debt, debt derivatives, such as foreign exchange forwards, swaps and cross currency interest rate swaps are entered into. These are designated as net investment hedges where the borrowings or contracts are in a different currency from that of the business in which they are recognised.</p> <p>To manage the net exposure to foreign currency borrowings, the Group enters into cross currency interest rate swaps (CCIRS). CCIRS are used to manage the combined foreign exchange risk and interest rate risk as they swap fixed rate foreign currency borrowings and interest payments into equivalent New Zealand and Australian dollar-denominated amounts of principal with floating and fixed interest rates.</p> |
| Interest rate risk & )                                  | The risk that the value of borrowings or cash flows associated with the borrowings will change due to changes in market rates.                                                                                                                                                                                                | The Group manages the fixed interest rate component of its borrowings by entering into CCIRS, interest rate swaps, forward rate agreements and options. It aims to maintain fixed interest rate borrowings between certain ranges over specific time periods.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Commodity price risk                                    | Arises from committed or highly probable trade transactions that are linked to commodities.                                                                                                                                                                                                                                   | <p>The Group manages its commodity price risks through negotiated supply contracts and, for certain commodities, by using commodity price swaps and options. The Group manages its commodity price risk depending on the underlying exposures, economic conditions and access to active derivatives markets. Cash flow hedge accounting is applied to commodity derivative contracts. At 30 June 2023, the Group has hedged a portion of its electricity and diesel usage for the period 1 July to 31 March 2024 and 30 June 2024 respectively. The average hedged electricity price is NZ\$149/MWh and the average hedged diesel price (ex-Singapore) is NZ\$0.97/Litre.</p> <p>A 10% increase in the New Zealand electricity spot price or the New Zealand diesel spot price at balance sheet date would not have a material impact on the Group's earnings or equity position.</p>                                                                                                                                        |

Disclosure about the credit risk associated with financial instruments and fair value measurement of financial instruments is included in notes 18.3 and 18.4.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Derivative financial instruments and hedge accounting

Derivatives are recorded at fair value with the resulting gain or loss on remeasurement recognised in the Consolidated Income Statement unless the derivative is designated into an effective hedge relationship as a hedging instrument, in which case the timing of recognition in the Consolidated Income Statement depends on the nature of the designated hedge relationship. For a derivative instrument to be classified and accounted for as a hedge, it must be highly correlated with, and effective as a hedge of the underlying risk being managed. This relationship is documented from inception of the hedge. The fair values of derivative financial instruments are determined by applying quoted market prices, where available, or by using inputs that are observable for the asset or liability.

The Group may designate derivatives as:

- Fair value hedges (where the derivative is used to manage the variability in the fair value of recognised assets and liabilities);
- Cash flow hedges (where the derivative is used to manage the variability in cash flows relating to recognised liabilities or forecast transactions); or
- Net investment hedges (where borrowings or derivatives are used to manage the risk of fluctuation in the translated value of its foreign operations).

The Group holds derivative instruments until expiry except where the underlying rationale from a risk management point of view changes, such as when the underlying asset or liability that the instrument hedges no longer exists, in which case early termination occurs.

#### *Fair value hedges*

Where a derivative financial instrument is designated as a hedge of a recognised asset or liability, or of a firm commitment, any gain or loss on the derivative (hedging instrument) is recognised directly in the Consolidated Income Statement, together with any changes in the fair value of the hedged risk (hedged item).

#### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of assets or liabilities, or of a highly probable forecasted transaction, the effective part of any gain or loss is recognised directly in the cash flow hedge reserve within equity and the ineffective part is recognised immediately in the Consolidated Income Statement. The effective portion is reclassified to the Consolidated Income Statement when the underlying cash flows affect the Consolidated Income Statement.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss previously recognised in the cash flow hedge reserve remains there until the forecast transaction occurs, or is immediately recognised in the Consolidated Income Statement if the transaction is no longer expected to occur.

#### *Net investment hedges*

Where the derivative financial instruments are designated as a hedge of a net investment in a foreign operation, the derivative financial instruments are accounted for on the same basis as cash flow hedges through the foreign currency translation reserve (FCTR) within equity.

#### *Cost of hedging*

The forward elements of foreign exchange forwards and swaps are excluded from designation as the hedging instrument and the foreign currency basis spreads of CCIRS are separately accounted for and recognised in Other comprehensive income as a cost of hedging.

#### *Derivatives that do not qualify for hedge accounting*

Where a derivative financial instrument does not qualify for hedge accounting, or where hedge accounting has not been elected, any gain or loss is recognised directly in the Consolidated Income Statement.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 18.1 FOREIGN CURRENCY RISK

#### (i) Currency transaction risk

Cash flow hedge accounting is applied to forecast transactions and short-term intra-Group cash funding. The Group designates the spot element of foreign exchange forwards and swaps to hedge its currency risk and applies a hedge ratio of 1:1. The Group's policy is for the critical terms of the foreign exchange forwards and swaps to align with the hedged item. The main currencies hedged are the Australian dollar, the United States dollar and the Euro. The gross value of these foreign exchange derivatives at 30 June 2023 was \$592 million (2022: \$551 million).

#### (ii) Currency translation risk

The effect of the Group's hedge accounting policy in managing foreign exchange risk related to the Group's net investments in foreign operations is presented in the table below:

#### Hedged investments and hedging instruments used

|                                                                           | 2023<br>Maturity:<br>0-61 months<br>NZ\$M | 2022<br>Maturity:<br>0-73 months<br>NZ\$M |
|---------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Amount of investment hedged</b>                                        |                                           |                                           |
| Foreign currency AUD                                                      | 103                                       | 329                                       |
| <b>Notional amount</b>                                                    |                                           |                                           |
| Cross currency interest rate swaps (37-61 months)                         | (103)                                     | (105)                                     |
| Foreign currency swaps (0-1 months)                                       |                                           | (224)                                     |
| <b>Hedge effectiveness</b>                                                |                                           |                                           |
| Change in value used for calculating hedge ineffectiveness                | 1                                         |                                           |
| Net investment hedge (gain)/loss recognised in Other comprehensive income |                                           |                                           |

It is estimated a 10% weakening of the New Zealand dollar against the foreign currencies that the Group is exposed to on the net assets of its foreign operations, would result in an increase to equity of approximately \$104.7 million (2022: \$153 million) and no material impact on the Consolidated Income Statement.

The Group applies hedge accounting to foreign currency denominated borrowings that are managed by CCIRS. The hedge ratio applied is 1:1. The hedge relationship may be designated into separate cash flow hedges and fair value hedges to manage the different components of foreign currency and interest rate risk:

- fair value hedge relationship where CCIRS are used to manage the interest rate and foreign exchange risks;
- currency risk in relation to foreign currency denominated borrowings with fixed interest rates; and
- cash flow hedge relationship where CCIRS are used to manage the variability in cash flows arising from interest rate movements on floating interest rate payments and foreign exchange movements on payments of principal and interest.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, reference interest rates, tenors, repricing dates and maturities and the notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in the fair value of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- changes in counterparty credit risk and cross currency basis spreads that are not reflected in the change in the fair value of the hedged item; and
- differences in repricing dates between the cross currency interest rate swaps and the borrowings.

## Notes to the Consolidated Financial Statements 2023 (Continued)

The effect of the Group's hedge accounting policies in managing both its foreign exchange risk and interest rate risk related to borrowings denominated in foreign currency is presented in the table below:

|                                                                      | USD<br>37-61 Months<br>Floating<br>NZD/USD<br>0.6944<br>NZ\$M | CAD*<br>61 Months<br>Fixed - 4.43%<br>AUD/CAD<br>0.927<br>NZ\$M | EUR*<br>37 Months<br>Fixed - 4.30%<br>AUD/EUR<br>0.684<br>NZ\$M | GBP*<br>61 Months<br>Fixed - 4.80%<br>AUD/GBP<br>0.568<br>NZ\$M | Total<br>NZ\$M |
|----------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|----------------|
| <b>2023</b>                                                          |                                                               |                                                                 |                                                                 |                                                                 |                |
| <b>Cash flow hedging and fair value hedging</b>                      |                                                               |                                                                 |                                                                 |                                                                 |                |
| <b>Cross currency interest rate swaps</b>                            |                                                               |                                                                 |                                                                 |                                                                 |                |
| Nominal amount of the hedging instrument                             | 405                                                           | 19                                                              | 74                                                              | 21                                                              | 519            |
| Carrying amount                                                      | 14                                                            | 1                                                               | 6                                                               |                                                                 | 21             |
| Accumulated cost of hedging recognised in Other comprehensive income | (3)                                                           |                                                                 |                                                                 |                                                                 | (3)            |
| Change in value used for calculating hedge ineffectiveness           | (8)                                                           |                                                                 | (3)                                                             | (2)                                                             | (13)           |
| Hedging (gain)/loss recognised in Other comprehensive income         | (4)                                                           |                                                                 | 3                                                               | 2                                                               | 1              |
| Fair value hedge (Consolidated Income Statement) (gain)/loss         | 12                                                            |                                                                 |                                                                 |                                                                 | 12             |

\* Designated in cash flow relationship only

|                                                                      | USD<br>49-73 Months<br>Floating<br>NZD/USD<br>0.6944<br>NZ\$M | CAD*<br>73 Months<br>Fixed - 4.43%<br>AUD/CAD<br>0.927<br>NZ\$M | EUR*<br>49 Months<br>Fixed - 4.30%<br>AUD/EUR<br>0.684<br>NZ\$M | GBP*<br>73 Months<br>Fixed - 4.80%<br>AUD/GBP<br>0.568<br>NZ\$M | Total<br>NZ\$M |
|----------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|----------------|
| <b>2022</b>                                                          |                                                               |                                                                 |                                                                 |                                                                 |                |
| <b>Cash flow hedging and fair value hedging</b>                      |                                                               |                                                                 |                                                                 |                                                                 |                |
| <b>Cross currency interest rate swaps</b>                            |                                                               |                                                                 |                                                                 |                                                                 |                |
| Nominal amount of the hedging instrument                             | 395                                                           | 19                                                              | 70                                                              | 20                                                              | 504            |
| Carrying amount                                                      | 15                                                            | 1                                                               | 3                                                               |                                                                 | 19             |
| Accumulated cost of hedging recognised in Other comprehensive income | (2)                                                           | (1)                                                             | (1)                                                             |                                                                 | (4)            |
| Change in value used for calculating hedge ineffectiveness           | (32)                                                          |                                                                 | (1)                                                             |                                                                 | (33)           |
| Hedging (gain)/loss recognised in Other comprehensive income         | (7)                                                           |                                                                 | 1                                                               |                                                                 | (6)            |
| Fair value hedge (Consolidated Income Statement) (gain)/loss         | 39                                                            |                                                                 |                                                                 |                                                                 | 39             |

\* Designated in cash flow relationship only

### 18.2 INTEREST RATE RISK

The Group applies hedge accounting to the borrowings and the associated interest rate swaps, for movements in benchmark market interest rates. Hedge accounting is applied to these instruments for floating-to-fixed instruments as cash flow hedges or for fixed-to-floating instruments as fair value hedges. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in the fair value of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swaps that is not reflected in the change in the fair value of the hedged item; and
- differences in repricing dates between the interest rate swaps and the borrowings.

## Notes to the Consolidated Financial Statements 2023 (Continued)

| 2023                                                         | NZD Borrowings<br>25-60 Months<br>4.34%<br>NZ\$M | AUD Borrowings<br>7 months<br>1.91%<br>NZ\$M  | Total<br>NZ\$M |
|--------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------|----------------|
| <b>Cash flow hedging</b>                                     |                                                  |                                               |                |
| <b>Interest rate swaps</b>                                   |                                                  |                                               |                |
| Nominal amount of the hedging instrument                     | 475                                              | 153                                           | 628            |
| Carrying amount - derivative assets/(liabilities)            | 7                                                | 2                                             | 9              |
| Change in value used for calculating hedge ineffectiveness   | 6                                                | (1)                                           | 5              |
| Hedging (gain)/loss recognised in Other comprehensive income | (6)                                              | 1                                             | (5)            |
|                                                              |                                                  |                                               |                |
| 2022                                                         | NZD Borrowings<br>9-61 Months<br>3.83%<br>NZ\$M  | AUD Borrowings<br>18 months<br>1.91%<br>NZ\$M | Total<br>NZ\$M |
| <b>Cash flow hedging</b>                                     |                                                  |                                               |                |
| <b>Interest rate swaps</b>                                   |                                                  |                                               |                |
| Nominal amount of the hedging instrument                     | 164                                              | 155                                           | 319            |
| Carrying amount - derivative assets/(liabilities)            | 1                                                | 3                                             | 4              |
| Change in value used for calculating hedge ineffectiveness   | 2                                                | 9                                             | 11             |
| Hedging (gain)/loss recognised in Other comprehensive income | (2)                                              | (9)                                           | (11)           |

There was no hedge ineffectiveness recognised in the Consolidated Income Statement during the year.

### 18.3 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To the extent the Group has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty and arises principally from receivables from customers, derivative financial instruments and the investment of cash.

#### (i) Impairment of financial assets

The Group has a credit policy in place under which customers are individually analysed for credit worthiness and assigned a purchase limit. If no external ratings are available, the Group reviews the customer's financial statements, trade references, bankers' references and/or credit agencies' reports to assess credit worthiness. These limits are reviewed on a regular basis. Owing to the Group's industry spread at balance date, there were no significant concentrations of credit risks in respect of trade receivables. Refer to **note 8** for debtor balances and ageing analysis.

The Group has two types of financial assets that are subject to the expected credit loss model:

- Debtors (including trade debtors, contract debtors and contract retentions) (**note 8**)
- Construction contract assets (**note 2.6**)

While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9 Financial Instruments, the identified impairment loss was immaterial.

Most goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. Credit risks may be further mitigated by registering an interest in the goods sold and the proceeds arising from that supply. The Group does not otherwise require collateral in respect of trade receivables.

#### Debtors and construction contract assets

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The construction contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of historical sales the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

## Notes to the Consolidated Financial Statements 2023 (Continued)

The table below provides movement in the Group's expected credit loss provision:

|                                                                                          | 2023<br>NZ\$M | 2022<br>NZ\$M |
|------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Opening provision for expected credit losses as at 1 July 2022</b>                    | (20)          | (18)          |
| Increase in provision for doubtful debts recognised in the Consolidated Income Statement | 1             | (3)           |
| Receivables written off during the year as uncollectible                                 |               |               |
| Unused amount reversed                                                                   | (1)           | 1             |
| <b>Closing provision for expected credit losses as at 30 June 2023</b>                   | (20)          | (20)          |

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses in the Consolidated Income Statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

### (ii) Derivative financial instruments and the investment of cash

The Group enters into derivative financial instruments and invests cash with various counterparties in accordance with established Board approved credit limits as to credit rating and dollar value but does not require collateral or other security except in limited circumstances. In accordance with the established counterparty limits, there are no significant concentrations of credit risk in respect of these financial instruments and no loss is expected.

The Group has not renegotiated the terms of any financial assets that would otherwise be overdue or impaired. The carrying amount of non-derivative financial assets represents the maximum credit exposure. The carrying amount of derivative financial assets is at their current fair value.

## 18.4 FAIR VALUES

The estimated fair value measurements for financial assets and liabilities compared to their carrying values in the Consolidated Balance Sheet, are as follows:

|                                                                | Classification | 2023                    |                     | 2022                    |                     |
|----------------------------------------------------------------|----------------|-------------------------|---------------------|-------------------------|---------------------|
|                                                                |                | Carrying value<br>NZ\$M | Fair value<br>NZ\$M | Carrying value<br>NZ\$M | Fair value<br>NZ\$M |
| Financial assets                                               |                |                         |                     |                         |                     |
| Cash and liquid deposits                                       | Amortised cost | 365                     | 365                 | 351                     | 351                 |
| Debtors                                                        | Amortised cost | 1,109                   | 1,109               | 1,180                   | 1,180               |
| Forward exchange contracts - fair value through profit or loss | Fair value     | 2                       | 2                   | 6                       | 6                   |
| Forward exchange contracts - cash flow hedge                   | Fair value     | 8                       | 8                   | 8                       | 8                   |
| Forward exchange contracts - net investment hedge              | Fair value     |                         |                     |                         |                     |
| Cross currency interest rate swaps - split designation         | Fair value     | 30                      | 30                  | 15                      | 15                  |
| Cross currency interest rate swaps - cash flow hedge           | Fair value     | 7                       | 7                   | 4                       | 4                   |
| Interest rate swaps - cash flow hedge                          | Fair value     | 13                      | 13                  | 5                       | 5                   |
| Commodity price swaps - cash flow hedge                        | Fair value     | 2                       | 2                   | 2                       | 2                   |
| Total financial assets                                         |                | 1,536                   | 1,536               | 1,571                   | 1,571               |

## Notes to the Consolidated Financial Statements 2023 (Continued)

|                                                                |                | 2023                    |                     | 2022                    |                     |
|----------------------------------------------------------------|----------------|-------------------------|---------------------|-------------------------|---------------------|
|                                                                |                | Carrying value<br>NZ\$M | Fair value<br>NZ\$M | Carrying value<br>NZ\$M | Fair value<br>NZ\$M |
| Classification                                                 |                |                         |                     |                         |                     |
| Financial liabilities                                          |                |                         |                     |                         |                     |
| Creditors and accruals                                         | Amortised cost | 1,197                   | 1,197               | 1,217                   | 1,217               |
| Bank loans                                                     | Amortised cost | 946                     | 946                 | 180                     | 180                 |
| Private placements                                             | Amortised cost | 484                     | 480                 | 481                     | 468                 |
| Other loans                                                    | Amortised cost | 30                      | 30                  | 29                      | 29                  |
| Capital notes                                                  | Amortised cost | 343                     | 315                 | 350                     | 338                 |
| Forward exchange contracts - fair value through profit or loss | Fair value     | 1                       | 1                   | 1                       | 1                   |
| Forward exchange contracts - cash flow hedge                   | Fair value     |                         |                     | 1                       | 1                   |
| Forward exchange contracts - net investment hedge              | Fair value     |                         |                     | 2                       | 2                   |
| Cross currency interest swaps - split designation              | Fair value     | 16                      | 16                  |                         |                     |
| Interest rate swaps - cash flow hedge                          | Fair value     | 4                       | 4                   | 1                       | 1                   |
| Commodity price swaps - cash flow hedge                        | Fair value     |                         |                     |                         |                     |
| Total financial liabilities                                    |                | 3,021                   | 2,989               | 2,262                   | 2,237               |
|                                                                |                |                         |                     |                         |                     |
| Total financial instruments                                    |                | (1,485)                 | (1,453)             | (691)                   | (666)               |

### Fair value measurement

All of the Group's derivatives are in designated hedge relationships and are measured and recognised at fair value.

All derivatives are level 2 valuations based on accepted valuation methodologies. Forward exchange fair value is calculated using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturity of the contract. The fair value of commodity price swaps is measured using a derived forward curve and discounted using yield curves derived from quoted interest rates matching the maturity of the contract.

Interest rate derivatives are calculated by discounting the future principal and interest cash flows at current market interest rates that are available for similar financial instruments.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) other than quoted prices included within level 1.

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Fair value disclosures

The fair values of borrowings used for disclosure are measured under level 2, by discounting future principal and interest cash flows at the current market interest rate plus an estimated credit margin that is available for similar financial instruments with a similar credit profile to the Group.

The interest rates across all currencies used to discount future principal and interest cash flows are between 2.7% and 7.5% (2022: (0.3%) and 5.65%) including margins, for both accounting and disclosure purposes.

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Group Structure and Related Parties

This section details the Group's capital, non-controlling interest of subsidiaries, investments in associates and joint ventures and information relating to transactions with other related parties.

#### 19. DIVIDENDS AND SHAREHOLDER TAX CREDITS

| Dividends                                                   | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-------------------------------------------------------------|---------------|---------------|
| Full year dividend paid October 2021 (18.0 cents per share) |               | 148           |
| Interim dividend paid March 2022 (18.0 cents per share)     |               | 144           |
| Full year dividend paid October 2022 (22.0 cents per share) | 172           |               |
| Interim dividend paid April 2023 (18.0 cents per share)     | 139           |               |
|                                                             | 311           | 292           |

In line with the Company's dividend policy, the Board declared a final dividend of 16.0 cents per share for the 2023 financial year.

#### Shareholder tax credits

Imputation and franking credits allow the Company to transfer the benefit from the tax it has paid in New Zealand and Australia respectively to its shareholders when it pays dividends.

|                                                                       | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-----------------------------------------------------------------------|---------------|---------------|
| <b>Imputation credit account</b>                                      |               |               |
| Imputation credits at the beginning of the year                       | 67            | 5             |
| Taxation paid                                                         | 58            | 4             |
| Imputation credits attached to dividend paid                          | (92)          | (42)          |
| Taxation payable                                                      | 4             | 100           |
| Imputation credits available for use in subsequent accounting periods | 37            | 67            |

|                                                                     | 2023<br>A\$M | 2022<br>A\$M |
|---------------------------------------------------------------------|--------------|--------------|
| <b>Franking credit account</b>                                      |              |              |
| Franking credits at the beginning of the year                       | 38           | 35           |
| Taxation paid                                                       |              |              |
| Franking credits received                                           |              | 3            |
| Franking credits available for use in subsequent accounting periods | 38           | 38           |

#### 20. CAPITAL

Ordinary shares are classified as shareholders' funds. Costs directly attributable to the issue of new shares or options are shown in shareholders' funds as a reduction from the proceeds. Acquired shares are classified as treasury stock and presented as a deduction from share capital under the treasury stock method, as if the shares are cancelled, until they are reissued or otherwise disposed of.

|                                                                        | 2023<br>NZ\$M | 2022<br>NZ\$M |
|------------------------------------------------------------------------|---------------|---------------|
| Reported capital at the beginning of the year excluding treasury stock | 3,003         | 3,248         |
| Repurchase of shares                                                   | (13)          | (250)         |
| Vested share-based payment                                             | 3             | 5             |
| Reported capital at the end of the year excluding treasury stock       | 2,993         | 3,003         |

## Notes to the Consolidated Financial Statements 2023 (Continued)

All ordinary shares are issued and fully paid and carry equal rights in respect of voting, dividend payments and distribution upon winding up.

|                                                        | 2023        | 2022         |
|--------------------------------------------------------|-------------|--------------|
| <b>Number of ordinary shares issued and fully paid</b> |             |              |
| Number of shares on issue at the beginning of the year | 783,043,596 | 821,152,019  |
| Repurchase of shares                                   |             | (38,108,423) |
| Total number of shares on issue                        | 783,043,596 | 783,043,596  |
| Less shares accounted for as treasury stock            | (6,655,828) | (4,999,501)  |
|                                                        | 776,387,768 | 778,044,095  |

The Group completed an on-market share buyback in June 2022, where the Group had repurchased 38,108,423 shares for the total consideration of \$250 million. These purchased shares were subsequently cancelled, leaving the total number of shares on issue at 30 June 2022 of 783,043,596 shares.

### 21. NON-CONTROLLING INTERESTS

Non-controlling interests are allocated their share of profit for the year in the Consolidated Income Statement and are presented separately within equity in the Consolidated Balance Sheet. The effect of all transactions with non-controlling interests that change the Group's ownership interest but do not result in a change in control are recorded in equity.

|               | 2023<br>NZ\$M | 2022<br>NZ\$M |
|---------------|---------------|---------------|
| Share capital | 14            | 9             |
| Reserves      | 13            | 6             |
|               | 27            | 15            |

### 22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are measured using the equity method. The equity method has been used for associate entities over which the Group has significant influence but not control.

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual and other rights and obligations.

|                                                          | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------|---------------|---------------|
| <b>Investment by associate/joint venture:</b>            |               |               |
| Wespine Industries Pty Ltd                               | 72            | 66            |
| Hexion Australia Pty Ltd                                 | 23            | 23            |
| Altus NZ Limited                                         | 78            | 71            |
| NX2 Hold LP                                              | 28            | 12            |
| Other                                                    | 24            | 23            |
|                                                          | 225           | 195           |
| <b>Equity accounted earnings comprise:</b>               |               |               |
| Sales - 100%                                             | 596           | 589           |
| Earnings before taxation - 100%                          | 117           | 67            |
| Earnings before taxation - Fletcher Building share       | 42            | 34            |
| Taxation expense                                         | (8)           | (10)          |
| <b>Earnings after taxation - Fletcher Building share</b> | <b>34</b>     | <b>24</b>     |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 23. RELATED PARTY DISCLOSURES

The disclosures below set out transactions and outstanding balances that Group companies and other related parties have with each other. Key management personnel are defined as the Executive Committee and Board of Directors.

|                                                         | Sales to<br>related parties<br>NZ\$M | Purchased from<br>related parties<br>NZ\$M | Amounts owing<br>from related<br>parties (within<br>debtors)<br>NZ\$M | Amounts owing<br>to related parties<br>(within creditors)<br>NZ\$M |
|---------------------------------------------------------|--------------------------------------|--------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>2023</b>                                             |                                      |                                            |                                                                       |                                                                    |
| Wespine Industries Pty Ltd and Hexion Australia Pty Ltd |                                      | 42                                         |                                                                       | 6                                                                  |
| Interpipe Holdings Limited                              |                                      | 4                                          |                                                                       |                                                                    |
| Altus NZ Limited                                        |                                      | 15                                         |                                                                       |                                                                    |
| NX2 Hold LP                                             | 72                                   |                                            |                                                                       |                                                                    |
| Others                                                  | 4                                    | 2                                          |                                                                       |                                                                    |
| <b>2022</b>                                             |                                      |                                            |                                                                       |                                                                    |
| Wespine Industries Pty Ltd and Hexion Australia Pty Ltd |                                      | 47                                         |                                                                       | 9                                                                  |
| Interpipe Holdings Limited                              |                                      | 7                                          |                                                                       | 1                                                                  |
| Altus NZ Limited                                        |                                      | 10                                         |                                                                       | 1                                                                  |
| NX2 Hold LP                                             | 89                                   |                                            | 3                                                                     |                                                                    |
| Others                                                  | 4                                    | 2                                          |                                                                       |                                                                    |

As at 30 June 2023, the Group held \$2.5 million of cash deposits on behalf of three alliances/joint operations; M2PP, Ground Improvement and Hamilton Expressway. The Group holds 75%, 50% and 61% respective interest in these alliances/joint operations.

|                                                                 | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-----------------------------------------------------------------|---------------|---------------|
| <b>Key management personnel compensation</b>                    |               |               |
| Directors' fees                                                 | 2             | 2             |
| Executive committee remuneration paid, payable or provided for: |               |               |
| Short-term employee benefits                                    | 18            | 23            |
| Long-term employee benefits                                     |               | 2             |

#### Fletcher Building Retirement Plan

As at 30 June 2023, Fletcher Building Nominees Limited (the New Zealand retirement plan) held \$3.5 million of shares in Fletcher Building (2022: \$2.9 million of shares).

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Other Information

This section provides additional required disclosures that are not covered in the previous sections.

#### 24. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments are those where future expenditure has been committed at year-end, but not recognised as liabilities as follows:

|                                                          | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------|---------------|---------------|
| <b>Committed at year end</b>                             |               |               |
| Property, plant and equipment and other long-term assets | 284           | 204           |

#### 25. CONTINGENT LIABILITIES

Contingent liabilities are possible legal or constructive obligations arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured. When the Group has a present obligation, an outflow of economic resources is assessed as probable and the Group can reliably measure the obligation, a provision is recognised.

The Group, in the normal course of business, may be subject to legal claims and other exposures in respect of which no provision has been made. Obligations assessed as having probable future economic outflows capable of reliable measurement are provided for at reporting date and matters assessed as having possible future economic outflows capable of reliable measurement are included in the total amount of contingent liabilities below.

Individually significant matters, including narrative on potential future exposures incapable of reliable measurement, are disclosed below, to the extent that disclosure does not prejudice the Group.

##### Guarantees

In certain circumstances, the Group guarantees the performance of particular business units in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the construction business as well as performance guarantees for certain Group's subsidiaries.

##### Contingent liabilities in relation to guarantees, claims and others

|                                                                                                                              | 2023<br>NZ\$M | 2022<br>NZ\$M |
|------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions | 391           | 383           |
| Contingent liabilities with respect to claims                                                                                | 40            |               |
|                                                                                                                              | 431           | 383           |

##### Product claims

Iplex® Australia has received a number of product quality complaints relating to a hot and cold water polybutylene pipe product it previously manufactured (under the name "Pro-fit"). The complaints relate to leaks in homes, primarily built by group home builders in Western Australia, which requires repair or replacement of the pipes and, in some cases, damage to the affected homes. Reports to Iplex® Australia are that the leak rate in other States is not materially unusual for a product of this type. No legal proceeding has been commenced but the complaints directed at Iplex® Australia assert that the cause of the failures is attributable to it. Iplex® Australia has not identified the root cause or causes of the leak. At this time the work Iplex® Australia has undertaken or commissioned that has been completed does not identify a manufacturing defect. The Western Australia building regulator (the Department of Mines, Industry Regulation and Safety, known as DMIRS) has investigated the matter and informed Iplex® Australia that, as foreshadowed in the April 17 NZX announcement, "concerns were identified" regarding the manufacturing processes used for Pro-fit by Iplex® Australia. Subsequent to balance date, DMIRS has referred the matter to the Australian Competition and Consumer Commission (ACCC). Iplex® Australia's exposure to future costs incurred by the leaks, if any, will depend on the final determination of a number of matters. As advised to the market, Iplex® Australia has made a provision of A\$15 million, which is treated as a Significant Item. That provision is not an indication of Iplex® Australia's view as to the costs it will or may incur in relation to this matter, but in respect of costs expected to be incurred in investigating this matter and providing funds to Western Australia builders who choose to take advantage of its offer to contribute to the cost of repairs and replacement work in the interim. At balance date, given current facts and circumstances, Iplex® Australia has concluded that the evidence obtained by it to date does not establish it is responsible for the matter and, as such, an outflow of funds is not probable. Ultimately, if Iplex® Australia is found to bear some responsibility, the cost to it in rectifying homes with Pro-fit installed (as well as to meet any damages claims, fines and other costs) may be a sum that could have a material impact on the Group's financial position. Further information about this matter is outlined in the Risk Section of the Annual Report (refer to page 77).

## Notes to the Consolidated Financial Statements 2023 (Continued)

### Construction defects

As part of its business, the Group's Construction division has exposure for defects in construction projects post their completion. That exposure arises either from the terms of the relevant contract or at law. As at 30 June 2023, the Group was subject to claims of this type. In assessing them, the Group has applied estimates and judgements, including assessing the merits of the claim, the cost to repair and the likelihood of receipt of payment or other recovery. These estimates and judgements may change as the claim or repair work progresses. The Group has considered its exposure to the claims received to date and, where it considers appropriate to do so, has provided for them. There remains a risk that, ultimately, the final exposure of the Group to these claims will be greater than the amount allowed.

### Class action proceedings

On 13 March 2023, the Group announced that class action proceedings had been filed against it in the Supreme Court of Victoria making allegations that between 17 August 2016 and 23 October 2017 the Group misrepresented the performance and financial position of its Building + Interiors (B+I) business and failed to disclose information as to its true financial position. The claim is said to be brought on behalf of shareholders who acquired an interest in fully paid ordinary shares in the Group on the Australian Securities Exchange or NZX Main Board between those dates.

The Group will defend the proceedings. Based on current status of the proceedings the Group has determined there is no present obligation and the claims against the Group have not been quantified.

## 26. TAXATION

The provision for current tax is the estimated amount due for payment during the next 12 months by the Group. The provision for deferred tax has been calculated using the balance sheet liability method.

Deferred tax is recognised on tax losses, tax credits and on the temporary difference between the carrying amount of assets and liabilities and their taxable value where recovery is considered probable. Deferred tax is not recognised on the following temporary differences:

- The initial recognition of goodwill; and
- The initial recognition of asset and liabilities for a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

There are no significant deferred tax liabilities in respect of the undistributed profits of subsidiaries and associates.

Judgements are required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty as there is a possibility of future changes in the interpretation and/or application of tax legislation. This may impact the amount of current and deferred tax assets and liabilities recognised in the Consolidated Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Income Statement.

## Notes to the Consolidated Financial Statements 2023 (Continued)

Below is the reconciliation of earnings before taxation to taxation expense:

|                                                            | 2023<br>NZ\$M | 2022<br>NZ\$M |
|------------------------------------------------------------|---------------|---------------|
| Earnings before taxation                                   | 343           | 598           |
| Taxation at 28 cents per dollar                            | 96            | 167           |
| Adjusted for:                                              |               |               |
| Difference in tax rates                                    | 2             | 1             |
| Non-assessable income                                      | (14)          | (8)           |
| Non-deductible expenses                                    | 4             | 3             |
| Tax losses for which no deferred tax asset was recognised  |               | 13            |
| Utilisation of previous unrecognised tax losses            |               | (13)          |
| Tax in respect of prior years                              | 1             | (4)           |
| <b>Tax expense on earnings</b>                             | <b>89</b>     | <b>159</b>    |
| Tax on earnings before Significant items                   | 173           | 161           |
| Tax benefit on Significant items                           | (84)          | (2)           |
|                                                            | 89            | 159           |
| Total current taxation expense                             | 130           | 163           |
| Total deferred taxation benefit                            | (41)          | (4)           |
|                                                            | 89            | 159           |
| <b>Current tax assets/(liabilities)</b>                    |               |               |
| Included within the Consolidated Balance Sheet as follows: |               |               |
| Current tax assets                                         | 6             |               |
| Current tax liabilities                                    |               | (107)         |
|                                                            | 6             | (107)         |
| <b>Movement during the year:</b>                           |               |               |
| Opening provision for current tax assets                   | (107)         | 9             |
| Taxation expense                                           | (130)         | (163)         |
| Transfer from deferred taxation                            | 50            | 27            |
| Non-controlling interest share of taxation expense         | 4             | 4             |
| Tax recognised directly in reserves                        | (2)           | 4             |
| Net tax payments                                           | 191           | 13            |
| Currency movement                                          |               | (1)           |
|                                                            | 6             | (107)         |
| <b>Provision for deferred tax assets</b>                   |               |               |
| Included within the Consolidated Balance Sheet as follows: |               |               |
| Deferred tax assets                                        | 193           | 209           |
|                                                            | 193           | 209           |

## Notes to the Consolidated Financial Statements 2023 (Continued)

|                                     | 2023<br>NZ\$M | 2022<br>NZ\$M |
|-------------------------------------|---------------|---------------|
| <b>Movement during the year:</b>    |               |               |
| Opening deferred tax assets         | 209           | 238           |
| Taxation expense                    | 41            | 4             |
| Transfer from current tax           | (50)          | (27)          |
| Tax recognised directly in reserves |               | (10)          |
| Acquisitions                        | (5)           |               |
| Currency movement                   | (2)           | 4             |
|                                     | 193           | 209           |
| <b>Composed of:</b>                 |               |               |
| Provisions and other liabilities    | 167           | 124           |
| Inventories                         | 16            | 15            |
| Debtors                             | 6             | 6             |
| Property, plant and equipment       | (37)          | (32)          |
| Brands                              | (85)          | (86)          |
| Tax losses                          | 53            | 91            |
| Right-of-use assets                 | (369)         | (377)         |
| Lease liabilities                   | 444           | 463           |
| Other                               | (2)           | 5             |
|                                     | 193           | 209           |

The net deferred tax asset balance of \$193 million at 30 June 2023 largely comprises of Construction division provisions and Australian tax losses incurred in the current and prior periods. It is expected there will be sufficient future earnings in New Zealand and Australia to utilise the deferred tax asset in each of these jurisdictions.

### 27. RETIREMENT PLANS

Fletcher Building Limited is the principal sponsoring company of a plan that provides retirement and other benefits to employees of the Group in New Zealand and Australia. Participation in this plan has been closed for a number of years, although defined contribution savings plans have been made available.

The Group's plan assets and liabilities in respect of individual defined benefit retirement plans are calculated separately for each plan by an independent actuary, as being the fair value of the plan's assets less the present value of the future obligations to the members. The value of the asset recognised cannot exceed the present value of any future refunds from the plans or reductions in future contributions to the plans, unless a constructive right to a refund of the surplus exists, in which case the amount to be refunded is recognised as an asset. In the Group's balance sheet, plans that are in a surplus position are not offset with plans that are in a liability position. The refund of the New Zealand surplus is subject to Financial Markets Authority (FMA) approval under FMCA 2013 Section 177.

Principal assumptions made in the actuarial calculation of the defined benefit obligation relate to the discount rate, rate of salary inflation and life expectancy. The calculation of the defined benefit obligations are based on years of service and the employees' compensation during their years of employment. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. A discount rate of 4.76% has been applied in 2023 on benefit obligations (2022: 4.03%). In applying sensitivity analysis, a 1% lower discount rate assumption increases the defined benefit obligation by \$12 million, whilst adding one additional year of life expectancy of scheme members increases the obligation by \$7 million.

The following table provides the weighted average assumptions used to develop the net periodic pension cost and the actuarial present value of projected benefit obligations for the Group's plans:

|                                                       | 2023<br>% | 2022<br>% |
|-------------------------------------------------------|-----------|-----------|
| Assumed discount rate on benefit obligations          | 4.76      | 4.03      |
| Annual rate of increase in future compensation levels | 2.37      | 2.11      |

## Notes to the Consolidated Financial Statements 2023 (Continued)

Fletcher Building Limited has an obligation to ensure that the funding ratio of the New Zealand plan's assets is at least 115% of the plan's actuarial liability. At 31 March 2023, the value of the plan assets was 184% of the actuarial liability and the funded surplus was \$122 million (31 March 2022: 182%, \$132 million).

During the year the Group contributed less than \$1 million (2022: less than \$1 million) in respect of its Australian defined benefit plans. It contributed \$58 million (2022: \$55 million) in respect of its defined contribution plans worldwide, including Kiwisaver and Australia Superannuation.

The net period pension cost recognised in the year in earnings before interest and taxation was \$2 million (2022: \$2 million). The Group expects to contribute less than \$1 million to its New Zealand and Australian defined benefit plans during the year to 30 June 2024. The Group is currently not contributing to the New Zealand plan.

|                                                                      | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------------------|---------------|---------------|
| <b>Recognised net asset</b>                                          |               |               |
| Assets of plans                                                      | 348           | 360           |
| Projected benefit obligation                                         | (222)         | (236)         |
| Funded surplus                                                       | 126           | 124           |
| Asset ceiling effect                                                 |               |               |
| <b>Recognised net asset</b>                                          | <b>126</b>    | <b>124</b>    |
| <b>Movement in recognised net asset</b>                              |               |               |
| Recognised net asset at the beginning of the year                    | 124           | 108           |
| Currency translation                                                 | (1)           | (1)           |
| Actuarial movements for the year                                     |               | 18            |
| Net periodic pension cost                                            | 3             | (1)           |
| <b>Recognised net asset</b>                                          | <b>126</b>    | <b>124</b>    |
| <b>Assets of the plans</b>                                           |               |               |
| Assets of plans at the beginning of the year                         | 360           | 401           |
| Actual return on assets                                              | 7             | 2             |
| Total contributions                                                  | 2             | 1             |
| Benefit payments                                                     | (21)          | (44)          |
|                                                                      | 348           | 360           |
| <b>Assets of the plans consist of:</b>                               |               |               |
| Australasian equities                                                | 29            | 29            |
| International equities                                               | 136           | 128           |
| Property                                                             | 12            | 32            |
| Bonds                                                                | 93            | 97            |
| Cash and short-term deposits                                         | 23            | 14            |
| Other assets                                                         | 55            | 60            |
|                                                                      | 348           | 360           |
| <b>Projected benefit obligation</b>                                  |               |               |
| Projected benefit obligation as at the beginning of the year         | (236)         | (293)         |
| Service cost                                                         | (2)           | (2)           |
| Interest cost                                                        | (9)           | (5)           |
| Past service cost/curtailments                                       |               | (1)           |
| Actuarial loss arising on changes in demographic assumptions         | (1)           | (1)           |
| Member contributions                                                 |               | (1)           |
| Actuarial gain arising on changes in financial assumptions           | 9             | 32            |
| Actuarial loss arising on other assumptions - experience adjustments | (3)           | (7)           |
| Benefit payments                                                     | 22            | 41            |
| Currency translation                                                 | (2)           | 1             |
|                                                                      | (222)         | (236)         |

## Notes to the Consolidated Financial Statements 2023 (Continued)

### 28. SHARE-BASED PAYMENTS

The Group has a number of employee incentive schemes, and whilst some are offered to all employees, others are offered only to specific individuals.

All schemes are equity-settled share-based payment arrangements, accounted for under NZ IFRS 2 Share-based Payments and are measured at fair value at grant date. The fair value of shares or options granted to employees is recognised as an employee expense in the Consolidated Income Statement over the restrictive period, with the restrictive period being the period over which the service requirement of the particular scheme is met, with a corresponding increase in the employee share-based payment reserve.

When shares or options vest and shares are awarded to employees, the amount in the share-based payment reserve relating to those instruments is transferred to share capital. When share-based payments do not vest as a result of a market conditions not being met, the amount in the share-based payment reserve is reclassified to retained earnings. When share-based payments do not vest due to a performance condition not being met, any amount previously recognised is released to the Consolidated Income Statement.

#### Long-term incentive (LTI) share scheme

The Group has a long-term share-based performance incentive scheme targeted at selected employees most able to influence the results of the Group (invited to participate at the discretion of the Company). The aim is to drive long-term, sustainable results and create shareholder value by aligning our most senior people with the shareholders' interests, ensuring value is only created for our people where relative Total shareholder Return (TSR) is realised.

The long-term share scheme allows scheme participants to acquire shares in the Company at market price (i.e. face value at the time of grant), funded by an interest-free loan from the Group. The scheme participants are entitled to vote on the shares and to receive cash dividends, the proceeds of which are used to reduce the loan. The shares are held in trust for the scheme participants by the Trustee, Fletcher Building Share Schemes Limited.

Entitlement under the scheme is dependent upon the Group's TSR exceeding the 51st percentile of the TSR of the comparator Group over a three year restricted period. Scheme participants can elect to extend the restrictive period for an additional year if the Group's TSR means that the vesting level is between the 51st and 75th percentile of the comparator Group. The three-year restrictive period is automatically extended for an additional year if the minimum vesting threshold is not met.

At the end of the restrictive period or any extension, the Group will pay a bonus to the executives to the extent that performance hurdles have been met, the after-tax amount of which will be generally sufficient for the scheme participants to repay the balance of the loan in respect of the shares which are to be transferred.

If the performance hurdles are not met or are only partially met and the shares do not transfer to the scheme participants, the amount in the share-based payments reserve will remain in equity and will not be released to earnings, with the trustee acquiring the beneficial interest in some or all of the relevant shares. The loan provided in respect of those shares which do not transfer to the scheme participants (the forfeited shares) will be novated to the trustee and will be fully repaid by the transfer of the forfeited shares.

During the year, there was an introduction of a return on funds employed (ROFE) measure in addition to the current relative total shareholder return (rTSR) measure. The use of ROFE in the LTI share scheme aligns to the Group's focus on performance and growth.

The weighting of rTSR has been adjusted from 100% to 50% with ROFE sitting at 50%. For both measures, 0% vests at threshold and 100% at maximum (i.e. up to 50% for each measure) with straight-line vesting in between. All grants do not include the opportunity to extend the restrictive period.

The following are details with regard to the scheme:

|                                              | 2022<br>Award    | 2021<br>Award  | 2020<br>Award    | 2019*<br>Award   |
|----------------------------------------------|------------------|----------------|------------------|------------------|
| Grant date                                   | 1 September 2022 | 1 July 2021    | 1 July 2020      | 1 July 2019      |
| Number of shares granted                     | 616,654          | 395,085        | 1,998,635        | 1,386,100        |
| Market price per share at grant date         | \$5.61           | \$7.48         | \$3.66           | \$5.21           |
| Total value at grant date (NZ\$)             | \$3,459,429      | \$2,955,236    | \$7,315,004      | \$7,221,581      |
| Vesting date                                 | 31 August 2025   | 30 June 2024   | 30 June 2023     | 30 June 2022     |
| Number of shares:                            |                  |                |                  |                  |
| Number of shares originally granted          | 616,654          | 395,085        | 1,998,635        | 1,386,100        |
| Less forfeited over life of scheme           |                  |                | (372,296)        | (328,844)        |
| Less vested over life of scheme              |                  |                | (40,803)         |                  |
| <b>Number of shares held at 30 June 2023</b> | <b>616,654</b>   | <b>395,085</b> | <b>1,585,536</b> | <b>1,057,256</b> |

\* As of 1 July 2023, this scheme did not vest.

## Notes to the Consolidated Financial Statements 2023 (Continued)

|                                                                  | 2023<br>NZ\$M | 2022<br>NZ\$M |
|------------------------------------------------------------------|---------------|---------------|
| Total fair value expense in year for LTI                         | 4             | 3             |
| Amount recognised at year end in the share based payment reserve | 16            | 15            |

Fair value has been determined using Monte Carlo valuation methodology.

### Deferred short-term incentive (STI) plan

A senior short-term incentive (STI) share-based payment scheme has been put in place for selected senior employees (invited to participate at the discretion of the Company), which is recognised on the achievement of the Group and individual performance objectives using a balanced scorecard. The aim is to align the financial interests of participating senior employees with the Company's shareholders and recognise the differing priorities, and development phases in which our businesses are operating through individual targets and measures.

The scheme grant date is 1 July each year, with 1 July 2021 being the first scheme offered. Following the release of the final audited financial year results, the selected employees STI's are split between a cash payment and a deferred STI portion entitling the employee to share rights. Achievement is calculated based on various non-market conditions specific to the individual, safety goals, as well as financial goals and is performed one year after grant date, generally in September, with the cash component settled at this time. The share rights portion of award convert into Fletcher Building ordinary shares two years from achievement date, where the number of share rights awarded are determined based on the share price at 30 June, one year after grant date. For most employees, the award is subject to the participant remaining employed with the Group for three years.

|                                                   | 2023<br>NZ\$M | 2022<br>NZ\$M |
|---------------------------------------------------|---------------|---------------|
| Total fair value expense in year for deferred STI | 5             | 3             |

### Employee retention share scheme

The employee retention share scheme is a special retention arrangement in the form of one-off share-based payments that have been put in place for certain senior management and executives.

|                                                                      | 2023<br>NZ\$M | 2022<br>NZ\$M |
|----------------------------------------------------------------------|---------------|---------------|
| Total fair value expense in year for employee retention share scheme | 1             | 1             |

### Employee share purchase scheme - FBuShare

FBuShare is Fletcher Building's employee share purchase scheme available to all eligible Group employees. The plan aims to connect our people with our performance, and to promote employee engagement and retention. Employees purchase shares (purchased shares) at market prices in the Group and, if they continue to be employed after a three-year qualification period, they become entitled to receive one bonus award share for every two shares purchased in the first year of each qualification period and still owned at the end of that period. FBuShare does not require any performance criteria to be met. FBuShare has a minimum contribution rate of NZ\$250 per annum and a maximum contribution rate of NZ\$5,000 per annum (or the equivalent currency in other countries) of the employees after-tax pay. Directors are not eligible to participate in FBuShare.

Dividends paid will be re-invested in additional shares. Employees will receive award shares on any additional shares, subject to the same conditions set out above. The employees are responsible for any income tax liability payable on dividends and on the value of any award shares.

At the end of each three year qualification period, employees may continue to hold any purchased, additional and award shares or they may sell some or all of the shares.

During the year, approximately 0.5 million award shares vested. At 30 June 2023, approximately 1.5 million shares would be required to satisfy the obligation to provide award shares to FBuShare participants based on the purchased share balances.

|                                                                     | 2023<br>NZ\$M | 2022<br>NZ\$M |
|---------------------------------------------------------------------|---------------|---------------|
| Total fair value expense in year for employee share purchase scheme | 1             | 2             |

## 29. SUBSEQUENT EVENTS

On 16 August 2023, the Directors declared a final dividend of 16.0 cents per share, payable on Thursday 5 October 2023.



### Independent Auditor's Report to the Shareholders of Fletcher Building Limited

#### Opinion

We have audited the financial statements of Fletcher Building Limited (the "Company") and its subsidiaries (together the "Group") on pages 101 to 153 which comprise the consolidated balance sheet of the Group as at 30 June 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 101 to 153 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides agreed upon procedures, taxation compliance, financial statement compilation services, pre-assurance over non-financial metrics and other assurance services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**Construction revenue and associated provision for onerous contracts**

| Why significant                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         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| <p>A substantial amount of the Group's revenue relates to revenue from construction contracts. Where these contracts are fixed price and have a long-term duration, revenue and margin are recognised over time as the services are performed under individual contracts. This is calculated based on the proportion of total costs incurred at the reporting date compared to the Group's estimation of total costs of the contract and the total expected revenue from the relevant contract. Expected revenue comprises fixed contractual revenue and where relevant other amounts, for example variations due to scope changes or extension of time claims. Where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under that contract, a provision is recorded for the difference between these amounts.</p> <p>There is a high level of management judgement and estimation involved in accounting for the Group's fixed price and long-term duration construction contracts, in particular relating to:</p> <ul style="list-style-type: none"> <li>- Initial forecasting of total cost to complete, including the estimation of cost contingencies for contracting risks, and revisions to these forecast costs as a result of events or conditions that occur during the performance of the contract or are expected to occur to complete the contract;</li> <li>- the recognition of variable consideration based on an assessment by the Group as to whether it is probable that the amount will be approved by the customer and therefore recovered; and</li> <li>- the consideration of the unavoidable cost and economic benefits expected when a contract has become onerous.</li> </ul> <p>Disclosures regarding the Group's construction contracts are included in , , and of the financial statements.</p> | <p>In obtaining sufficient appropriate audit evidence, we:</p> <ul style="list-style-type: none"> <li>- confirmed our understanding of the Group's processes regarding accounting for contract revenues and costs. We tested controls including: <ul style="list-style-type: none"> <li>› the performance of monthly project reviews, which involves management assessing key aspects of contract performance; and</li> <li>› the project reviews undertaken by the divisional and Group management and Audit &amp; Risk Committee.</li> </ul> </li> <li>- selected a sample of contracts for testing based on a number of quantitative and qualitative factors. These qualitative factors included known or expected to be onerous contracts, those with significant deterioration of margin and/or completion dates, significant variations and claims and other factors which might indicate a greater level of judgement was required by the Group. For the contracts selected, where relevant, we: <ul style="list-style-type: none"> <li>› read the contract terms and conditions to evaluate whether the individual characteristics of each contract were reflected in the Group's estimation of total costs of the contract;</li> <li>› tested controls as they pertain to contract costs incurred in the year and validated a sample of costs incurred to date to supporting documentation;</li> <li>› sample tested the estimated costs to complete by agreeing key forecast cost assumptions to underlying evidence such as subcontractor quotes, historical invoicing, employment records or agreements with subcontractors;</li> <li>› evaluated the Group's ability to forecast total cost to complete by analysing the accuracy of previous forecasts to actual outcomes or to current estimates of cost to complete, assessing the reason for changes to the estimate;</li> <li>› evaluated, utilising our legal specialists where appropriate, external legal and construction experts' reports on contentious matters, to identify factors which might influence the recognition of variable consideration or liquidated or other damages included in management's assessment of the least net cost to fulfil onerous contracts;</li> <li>› checked variable consideration, where material, to executive leadership team and Board approvals, supporting documentation and to underlying contracts, where relevant;</li> <li>› evaluated the objectivity and expertise of the external experts utilized by the Group to support the best estimate of onerous contract provisions;</li> <li>› evaluated contract performance in the period since year end to the date of this report to assess the Group's year end judgements in respect of revenue recognition and forecast costs to complete; and</li> <li>› evaluated any insurance recoveries relevant to the expected value of onerous contract provisions. In these situations, we considered whether forecast recoveries assumptions were appropriate and whether incurred and forecast costs claimed and expected to be claimed were within the total indemnity limits and the sub limits, if relevant.</li> </ul> </li> <li>- considered the adequacy of the associated disclosures in the financial statements including whether they appropriately describe the assumptions made and uncertainties in estimating the onerous contract provisions.</li> </ul> |

**Goodwill and other intangible assets' impairment assessments**

| Why significant                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Group holds goodwill and other intangible assets of \$1.2 billion at 30 June 2023.</p> <p>The recoverable amount of the Group's Cash Generating Units ("CGUs") is determined each reporting period by reference to valuations prepared using discounted cash flow models ("DCF models"). DCF models contain significant judgement and estimation in respect of future cash flow forecasts, discount rate and terminal growth rate assumptions. Changes in certain assumptions can lead to significant changes in the assessment of the recoverable amount.</p> <p>Disclosures regarding the Group's key assumptions adopted and the sensitivity to reasonably possible changes in key assumptions which could result in impairment for certain CGUs are included in of the financial statements.</p> | <p>In obtaining sufficient appropriate audit evidence, we:</p> <ul style="list-style-type: none"> <li>– understood the Group's goodwill impairment assessment process and identified relevant controls;</li> <li>– assessed the Group's determination of CGUs and of those CGUs considered to have a higher risk of impairment based on our understanding of the nature and financial performance of the Group's business units;</li> <li>– obtained the Group's DCF models and, for those CGUs with a higher risk of impairment, agreed EBIT forecasts to a combination of the Board approved FY24 budget and the FY25 - FY26 strategic plan;</li> <li>– assessed key inputs to the DCF models including future cash flow forecasts, discount rates and terminal growth rates;</li> <li>– considered the accuracy of previous Group cash flow forecasting to inform our evaluation of forecasts included in the DCF models;</li> <li>– for those CGUs with a higher risk of impairment, involved our valuation specialists to assess the Group's discount and terminal growth rates. Our valuation specialists were also involved in benchmarking the Group's assessed recoverable values with relevant market multiples and assessing the integrity of the DCF models;</li> <li>– performed sensitivity analysis in relation to the discount rate, terminal growth rate and forecast cash flows to consider the potential impact of changes in these assumptions; and</li> <li>– considered the adequacy of the associated disclosures in the financial statements particularly focusing on the disclosure of the CGUs where the impairment assessment is sensitive to reasonably possible changes in assumptions.</li> </ul> |

**Information other than the financial statements and auditor's report**

The directors of the Company are responsible for the annual report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Directors' responsibilities for the financial statements**

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

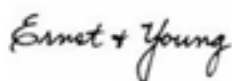
In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Penrose.



Chartered Accountants  
Auckland  
16 August 2023

# Statutory Disclosures

## DISCLOSURE OF INTERESTS BY DIRECTORS

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2023, pursuant to section 140(2) of the Companies Act 1993. The director will be regarded as interested in all transactions between Fletcher Building and the disclosed entity. Changes to entries disclosed during the year to 30 June 2023 are noted in brackets, for the purposes of section 211(1)(e) of the Companies Act 1993.

|                 |                                                                                    |                        |
|-----------------|------------------------------------------------------------------------------------|------------------------|
| Bruce Hassall   | Fletcher Building Industries Limited                                               | Chair                  |
|                 | Prolife Group Holdings Limited                                                     | Chair                  |
|                 | The Farmers' Trading Company Limited                                               | Chair                  |
|                 | Bank of New Zealand (retired December 2022)                                        | Director               |
|                 | Fonterra Co-operative Group Limited                                                | Director               |
| Martin Brydon   | Duratec Limited                                                                    | Chair                  |
|                 | Brydon Investment Holdings Pty Limited                                             | Director               |
|                 | Fletcher Building Industries Limited                                               | Director               |
|                 | Rytysh Pty Limited                                                                 | Director               |
| Barbara Chapman | Genesis Energy Limited                                                             | Chair                  |
|                 | NZME Limited                                                                       | Chair                  |
|                 | The New Zealand Initiative Limited                                                 | Deputy Chair           |
|                 | Bank of New Zealand                                                                | Director               |
|                 | Fletcher Building Industries Limited                                               | Director               |
|                 | Two Tin Pigs Limited                                                               | Director               |
| Peter Crowley   | Barrambin Trading Company Pty Limited                                              | Director               |
|                 | Fletcher Building Industries Limited                                               | Director               |
|                 | The Riverside Coal Transport Company Pty Limited                                   | Director               |
| Rob McDonald    | Contact Energy Limited                                                             | Chair                  |
|                 | The University of Auckland Business School Advisory Board                          | Chair                  |
|                 | AIA New Zealand Limited                                                            | Director               |
|                 | Chartered Accountants Australia and New Zealand                                    | Director               |
|                 | Fletcher Building Industries Limited                                               | Director               |
|                 | RSMcDonald Services Limited                                                        | Director               |
|                 | McDonald Family Trust                                                              | Trustee                |
|                 | The University of Auckland Council                                                 | Member                 |
| Doug McKay      | Bank of New Zealand                                                                | Chair                  |
|                 | Eden Park Trust Board (retired June 2023)                                          | Chair                  |
|                 | Fletcher Building Industries Limited                                               | Director               |
|                 | Genesis Energy Limited (resigned September 2022)                                   | Director               |
|                 | IAG New Zealand Limited                                                            | Director               |
|                 | National Australia Bank Limited                                                    | Director               |
|                 | Vector Limited (appointed September 2022; Chair-elect effective Vector's 2023 ASM) | Director               |
|                 | Wymac Consulting Limited                                                           | Director               |
| Cathy Quinn     | Fertility Associates Holdings Limited                                              | Chair                  |
|                 | Tourism Holdings Limited                                                           | Chair                  |
|                 | MinterEllisonRuddWatts                                                             | Consultant             |
|                 | The University of Auckland Council                                                 | Pro-Chancellor         |
|                 | Fletcher Building Industries Limited                                               | Director               |
|                 | Fonterra Co-operative Group Limited                                                | Director               |
|                 | Rangatira Limited                                                                  | Director               |
|                 | Pin Twenty Limited (corporate trustee of Kintyre Trust)                            | Director / Shareholder |

## Statutory Disclosures (Continued)

There were no specific disclosures made during the year of any interests in transactions entered by Fletcher Building or any of its subsidiaries by a director.

### INFORMATION USED BY DIRECTORS

There were no notices from directors of the Company requesting to disclose or use Company information received in their capacity as directors.

### INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, Fletcher Building has continued to indemnify and insure its directors, executives and employees acting on behalf of the Company, against potential liability or costs incurred in any proceeding, except to the extent prohibited by law. The insurance does not cover liabilities arising from criminal actions.

### DIRECTORS HOLDING OF SECURITIES

The policy of the Board is that non-executive directors (or their associates) hold at least 40,000 shares in the Company or a number equivalent to a director's base fee at the time of joining the Board to demonstrate their commitment and alignment with the Company. Directors have three years from their date of appointment to accumulate that holding. Non-executive directors do not participate in any Company share or option plan.

### DISCLOSURE OF DIRECTORS' INTERESTS IN SECURITIES

Securities of the Company in which each director has a relevant interest at 30 June 2023.

| Director              | Ownership                     | Ordinary Shares | Capital Notes |
|-----------------------|-------------------------------|-----------------|---------------|
| Bruce Hassall (Chair) | Beneficial                    | 42,242          |               |
| Martin Brydon         | Beneficial                    | 30,000          |               |
| Barbara Chapman       | Beneficial                    | 40,000          |               |
| Peter Crowley         | Beneficial                    | 40,000          |               |
| Rob McDonald          | Beneficial                    | 60,000          |               |
| Doug McKay            | Beneficial                    | 20,000          |               |
| Cathy Quinn           | Beneficial                    | 40,000          |               |
|                       | Non-Beneficial <sup>(1)</sup> | 121,197         | 28,360,500    |

(1) Cathy Quinn also held a non-beneficial interest in securities as a director/shareholder of Pin Twenty Limited (corporate trustee of Kintyre Trust).

### DISCLOSURE OF DIRECTORS' INTERESTS IN SHARE TRANSACTIONS

Directors disclosed, pursuant to section 148(2) of the Companies Act 1993, the following acquisitions of relevant interests in Fletcher Building shares during the year ended 30 June 2023.

| Director        | Date of transaction | Nature of relevant interest           | Consideration | Number of securities |
|-----------------|---------------------|---------------------------------------|---------------|----------------------|
| Cathy Quinn     | 20 March 2023       | On-market purchase of ordinary shares | NZ \$42,823   | 10,000               |
| Barbara Chapman | 21 March 2023       | On-market purchase of ordinary shares | NZ \$85,924   | 20,000               |
| Bruce Hassall   | 21 March 2023       | On-market purchase of ordinary shares | NZ \$64,314   | 15,000               |
| Rob McDonald    | 22 March 2023       | On-market purchase of ordinary shares | NZ \$43,527   | 10,000               |
| Martin Brydon   | 28 March 2023       | On-market purchase of ordinary shares | AU \$40,907   | 10,000               |
| Peter Crowley   | 23 June 2023        | On-market purchase of ordinary shares | AU \$72,969   | 15,000               |

## Statutory Disclosures (Continued)

### STOCK EXCHANGE LISTINGS

Fletcher Building's ordinary shares are listed and quoted on the Main Board of NZX Limited and the Australian Securities Exchange (ASX) under the company code 'FBU'. Fletcher Building's listing on the ASX is as a Foreign Exempt Listing. Fletcher Building must comply with the NZX Listing Rules but is exempt from almost all of the ASX Listing Rules. For the purposes of ASX Listing Rule 1.15.3, Fletcher Building confirms that it continues to comply with the NZX Listing Rules.

In addition, Fletcher Building Limited maintains a sponsored Level 1 American Depositary Receipt (ADR) programme with Deutsche Bank Trust Company Americas (Deutsche Bank). The ADRs trade over the counter in the United States of America (US) under the ticker code 'FCREY', with each ADR representing two ordinary Fletcher Building shares. US investors may prefer to purchase ADRs rather than ordinary shares in Fletcher Building's home market because ADRs trade, clear and settle according to US market conventions.

### EXERCISE OF NZX DISCIPLINARY POWERS

Neither NZX or ASX has taken any disciplinary action against Fletcher Building during the financial year ended 30 June 2023 and there was no exercise of powers by NZX under NZX Listing Rule 9.9.3 (relating to powers to cancel, suspend or censure an issuer) with respect to Fletcher Building during the reporting period.

### NZX WAIVERS

There were no waivers granted by NZX or relied on by Fletcher Building Limited in the 12 months preceding 30 June 2023.

### DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 JUNE 2023

The total number of voting securities of Fletcher Building at 30 June 2023 was 783,043,596 fully paid ordinary shares, each conferring on the registered holder the right to one vote on a poll at a meeting of shareholders.

| Size of holding  | Number of shareholders | % of shareholders | Number of ordinary shares | % of ordinary shares |
|------------------|------------------------|-------------------|---------------------------|----------------------|
| 1 - 1,000        | 15,490                 | 45.76             | 6,556,851                 | 0.84                 |
| 1,001 - 5,000    | 12,615                 | 37.27             | 30,926,217                | 3.95                 |
| 5,001 - 10,000   | 3,127                  | 9.24              | 22,613,584                | 2.89                 |
| 10,001 - 100,000 | 2,454                  | 7.25              | 58,555,598                | 7.48                 |
| 100,001 Over     | 164                    | 0.48              | 664,391,346               | 84.84                |
| <b>Total</b>     | <b>33,850</b>          | <b>100.00</b>     | <b>783,043,596</b>        | <b>100.00</b>        |

### SUBSTANTIAL PRODUCT HOLDERS

According to notices given under the Financial Markets Conduct Act 2013, the following persons were a substantial product holder of the Company as at 30 June 2023. The total number of voting securities of Fletcher Building Limited at 30 June 2023 was 783,043,596 fully paid ordinary shares.

| Substantial product holder | Number of ordinary shares in which relevant interest is held | Date of notice   |
|----------------------------|--------------------------------------------------------------|------------------|
| Allan Gray Group           | 77,173,047                                                   | 21 February 2023 |

## Statutory Disclosures (Continued)

### 20 LARGEST SHAREHOLDERS AS AT 30 JUNE 2023

| Holder Name                                                        | Number of<br>ordinary shares | % of issued capital |
|--------------------------------------------------------------------|------------------------------|---------------------|
| Citicorp Nominees Pty Limited                                      | 73,198,224                   | 9.35                |
| HSBC Custody Nominees (Australia) Limited                          | 51,197,375                   | 6.54                |
| HSBC Nominees (New Zealand) Limited - NZCSD                        | 46,218,831                   | 5.90                |
| Citibank Nominees (New Zealand) Limited - NZCSD                    | 45,447,875                   | 5.80                |
| HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD       | 45,059,255                   | 5.75                |
| JP Morgan Nominees Australia Limited                               | 43,012,497                   | 5.49                |
| BNP Paribas Nominees (NZ) Limited - NZCSD                          | 42,500,392                   | 5.43                |
| JPMorgan Chase Bank NA NZ Branch - Segregated Clients Acct - NZCSD | 34,223,115                   | 4.37                |
| Accident Compensation Corporation - NZCSD                          | 28,722,522                   | 3.67                |
| National Nominees Limited - NZCSD                                  | 25,054,395                   | 3.20                |
| HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD  | 21,079,286                   | 2.69                |
| National Nominees Limited                                          | 18,904,684                   | 2.41                |
| New Zealand Depository Nominee Limited                             | 16,057,515                   | 2.05                |
| BNP Paribas Noms Pty Ltd                                           | 15,918,672                   | 2.03                |
| JBWere (NZ) Nominees Limited                                       | 13,323,756                   | 1.70                |
| Custodial Services Limited                                         | 12,021,285                   | 1.54                |
| ANZ Wholesale Australasian Share Fund - NZCSD                      | 11,135,929                   | 1.42                |
| Tea Custodians Limited Client Property Trust Account - NZCSD       | 10,927,470                   | 1.40                |
| FNZ Custodians Limited                                             | 8,860,003                    | 1.13                |
| Simplicity Nominees Limited - NZCSD                                | 7,097,180                    | 0.91                |
| <b>Total</b>                                                       | <b>569,960,261</b>           | <b>72.79</b>        |

New Zealand Central Securities Depository Limited (NZCSD) provides a custodial depository service which allows electronic trading of securities to members. It does not have a beneficial interest in these securities. As at 30 June 2023, total holding in NZCSD were 341,971,748 or 43.67% of shares on issue.

#### AUDITOR FEES

EY has continued to act as auditors of the Group. Please refer to **note 6** of the consolidated financial statements for audit fees paid to EY in the financial year to 30 June 2023.

#### CREDIT RATING

The Group does not currently hold a credit rating from an accredited rating agency.

#### DONATIONS

Please refer to **note 6** of the consolidated financial statements for donations made in FY23. All political donations must be approved by the Board.

## SUBSIDIARY COMPANY INFORMATION

The persons listed below respectively held office as directors of Fletcher Building Limited or one or more of its subsidiary companies as at 30 June 2023, or in the case of those persons with the letter (R) after their name ceased to hold office during the year. Except where shown below, Fletcher Building's indirect ownership interest in these companies as at 30 June 2023 was 100%.

No employee of Fletcher Building appointed as a director of a Fletcher Building Limited company retains any remuneration or other benefits, as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed in the Employee Remuneration section. Except where shown below, no other director of any subsidiary company within the Group receives director's fees or other benefits as a director.

| Company                                        | Directors                                                                                  |
|------------------------------------------------|--------------------------------------------------------------------------------------------|
| Amatek Holdings Pty Limited                    | M Brodie, B McKenzie                                                                       |
| Amatek Industries Pty Limited                  | M Brodie, B McKenzie                                                                       |
| Amatek Investments Pty Limited                 | M Brodie, B McKenzie                                                                       |
| Approach Signs Limited                         | P Boylen, B McKenzie                                                                       |
| Bandelle Pty Limited                           | M Brodie, N Sekul                                                                          |
| Baron Insulation Pty Limited                   | B McKenzie, A Rowe                                                                         |
| Boden Building Supplies Limited                | B McEwen                                                                                   |
| Brian Perry Civil Limited                      | P Boylen, B McKenzie                                                                       |
| Building Choices Limited                       | B McEwen                                                                                   |
| Building Prefabrication Solutions Limited      | B McEwen, B McKenzie                                                                       |
| Burnham 2020 Limited                           | B McKenzie, N Traber                                                                       |
| Cleaver Building Supplies Limited (75%)        | M Cleaver, B McEwen                                                                        |
| Clever Core New Zealand Limited                | S Evans, B McKenzie                                                                        |
| Crane Enfield Metals Pty Limited               | M Brodie, B McKenzie                                                                       |
| Crane Group Pty Limited                        | M Brodie, B McKenzie                                                                       |
| Crane Share Plan Pty Limited                   | M Brodie, B McKenzie                                                                       |
| Crevet Pipelines Pty Limited                   | P Lavelle, B McKenzie                                                                      |
| Crevet Pty Limited                             | M Brodie, B McKenzie                                                                       |
| CTCI Pty Limited                               | J Burgess, B McKenzie                                                                      |
| Davis & Casey Building Supplies Limited        | B McEwen                                                                                   |
| Delcon Holdings (No. 11) Limited               | D Fradgley, B McKenzie                                                                     |
| ee-Fit Pty Limited                             | B McKenzie, A Rowe                                                                         |
| Fairbairn Building Supplies Limited            | B McEwen                                                                                   |
| FBHS (Aust) Pty Limited                        | J Chan (R), B McKenzie, D Orr                                                              |
| FBII (Puhoi) Limited                           | P Boylen, B McKenzie                                                                       |
| FBSOL Pty Limited                              | J Chan (R), B McKenzie, D Orr                                                              |
| Fletcher Building (Australia) Pty Limited      | M Brodie, A Clarke, B McKenzie, N Sekul                                                    |
| Fletcher Building (Fiji) Pte Limited           | P Boylen, A Kumar, C White (R), A Morton                                                   |
| Fletcher Building Educational Fund Limited     | C Carroll, J McDonald, P Muir                                                              |
| Fletcher Building Holdings Limited             | A Clarke, B McKenzie                                                                       |
| Fletcher Building Holdings New Zealand Limited | A Clarke, B McKenzie                                                                       |
| Fletcher Building Industries Limited           | M Brydon, B Chapman, P Crowley, B Hassall, R McDonald, D McKay, C Quinn                    |
| Fletcher Building Limited                      | M Brydon, B Chapman, P Crowley, B Hassall, R McDonald, D McKay, C Quinn                    |
| Fletcher Building Nominees Limited             | M Binns, J Chapman, G Clarke, M Farrell (R), H McKenzie, C Munkowits, G Niccol, T Williams |

## Statutory Disclosures (Continued)

| Company                                             | Directors                                      |
|-----------------------------------------------------|------------------------------------------------|
| Fletcher Building Products Australia Pty Limited    | M Brodie, B McKenzie                           |
| Fletcher Building Products Limited                  | H McBeath, B McKenzie                          |
| Fletcher Building Share Schemes Limited             | J Chapman, G Niccol                            |
| Fletcher Building Welfare Fund Nominees Limited     | D Lucas, S Schulz, D Sixton                    |
| Fletcher Challenge Building UK Limited              | S Evans, B McKenzie                            |
| Fletcher Challenge Forest Industries Limited        | S Evans, B McKenzie                            |
| Fletcher Concrete and Infrastructure Limited        | H McBeath, B McKenzie, N Traber                |
| Fletcher Construction (Solomon Islands) Limited     | P Boylen, C White (R), A Morton                |
| Fletcher Construction Buildings Limited             | P Boylen, B McKenzie                           |
| Fletcher Construction Company (Fiji) Pte Limited    | P Boylen, J Matthews                           |
| Fletcher Construction Holdings Limited              | P Boylen, B McKenzie                           |
| Fletcher Construction Infrastructure Limited        | P Boylen, B McKenzie                           |
| Fletcher Construction Management Services Limited   | P Boylen, B McKenzie                           |
| Fletcher Development Limited                        | S Evans, B McKenzie                            |
| Fletcher Distribution Limited                       | B McEwen, B McKenzie                           |
| Fletcher Industries Australia Pty Limited           | M Brodie, N Sekul                              |
| Fletcher Insulation Pty Limited                     | B McKenzie, A Rowe                             |
| Fletcher Morobe Construction Limited                | P Boylen, R Simpson                            |
| Fletcher Property Limited                           | A Clarke, B McKenzie                           |
| Fletcher Residential Limited                        | S Evans, B McKenzie                            |
| Fletcher Steel Limited                              | H McBeath, B McKenzie                          |
| Fletcher Wood Products Limited                      | H McBeath, B McKenzie                          |
| Gatic Pty Limited                                   | P Lavelle, B McKenzie                          |
| Geoff Brown Building Supplies Limited               | B McEwen                                       |
| Geraldton Independent Building Supplies Pty Limited | J Burgess, B McKenzie                          |
| Higgins Contractors Limited                         | P Boylen, B McKenzie                           |
| Higgins Group Holdings Limited                      | P Boylen, B McKenzie                           |
| Higgins Holdings (Fiji) Pte Limited                 | P Boylen, A Kumar                              |
| Homai MFR General Partner Limited (51%)             | S Evans, P Majurey                             |
| HotForm Products Limited (51%)                      | S Hansen, J Mainwaring, R Sutherland, D Sutton |
| Iplex Pipelines Australia Pty Limited               | P Lavelle, B McKenzie                          |
| Iplex Pipelines NZ Limited                          | H McBeath, B McKenzie                          |
| Iplex Properties Pty. Limited                       | P Lavelle, B McKenzie                          |
| Jeffcoats Building Supplies Limited (68%)           | R Jeffcoat, B McEwen                           |
| Kaipatiki FRL General Partner Limited (51%)         | S Evans, P Majurey                             |
| Key Plastics Pty. Limited.                          | P Lavelle, B McKenzie                          |
| Kingston Bridge Engineering Pty Limited             | P Lavelle, B McKenzie                          |
| Kinsey Kydd Building Supplies Limited (75%)         | S Kinsey, B McEwen                             |
| Kusabs Building Supplies Limited (74.94%)           | G Kusabs, B McEwen                             |
| Laminex Group Pty Limited                           | J Burgess, B McKenzie                          |
| Leary Building Supplies Limited (75%)               | B Leary, B McEwen                              |
| Macready Building Supplies Limited (75%)            | J Macready, B McEwen                           |

## Statutory Disclosures (Continued)

| Company                                                     | Directors                                                                                  |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Matt Orr Building Supplies Limited (75%)                    | B McEwen, M Orr                                                                            |
| McGill Building Supplies Limited (75%)                      | B McEwen, J McGill                                                                         |
| McInnes Building Supplies Limited (75%)                     | B McEwen, G McInnes (R)                                                                    |
| Mico New Zealand Limited                                    | B McEwen, B McKenzie                                                                       |
| Milnes Holdings Pty Limited                                 | M Brodie, B McKenzie                                                                       |
| Moire Road General Partner Limited (51%)                    | A Crocker (R), N Donnelly, S Evans, S Rapson                                               |
| Morinda Australia Pty Limited                               | J Chan (R), B McKenzie, D Orr                                                              |
| New Zealand Ceiling & Drywall Supplies Limited (90%)        | D Thomas                                                                                   |
| Northern Iron and Brass Foundry Pty. Limited.               | P Lavelle, B McKenzie                                                                      |
| Okahukura GP Limited (51%)                                  | D Clay, S Evans                                                                            |
| Oliveri Solutions Pty Limited                               | B McKenzie, S Naish                                                                        |
| Paul Robinson Building Supplies Limited (75%)               | B McEwen, P Robinson                                                                       |
| Pavement Technology Limited                                 | P Boylen, B McKenzie                                                                       |
| Penny Engineering Limited                                   | P Boylen, B McKenzie                                                                       |
| Penrose Retirement Nominees Limited                         | M Binns, J Chapman, G Clarke, M Farrell (R), H McKenzie, C Munkowits, G Niccol, T Williams |
| PlaceMakers Christchurch Limited (75%)                      | D Close, B McEwen                                                                          |
| PlaceMakers Limited                                         | B McEwen, B McKenzie                                                                       |
| PlaceMakers Supply, Fix & Install Limited                   | B McEwen                                                                                   |
| PlaceMakers Waiheke Limited (75%)                           | D Banks, B McEwen                                                                          |
| PlaceMakers Wanaka Limited (80%)                            | B McEwen, B Stanley-Joblin                                                                 |
| Polymer Fusion Education Pty Limited                        | P Lavelle, B McKenzie                                                                      |
| Raylight Aluminium Limited (87.50%)                         | D Close, B McEwen                                                                          |
| Reece Building Supplies Limited (75%)                       | B McEwen, J Reece                                                                          |
| Renewable Wood Fuels Limited                                | H McBeath, B McKenzie                                                                      |
| S Cubed Pty Limited                                         | J Chan (R), B McKenzie, D Orr                                                              |
| Selwyn Quarries Limited                                     | B McKenzie, N Traber                                                                       |
| Shed Boss NZ Limited                                        | D Fradgley, B McKenzie                                                                     |
| Southbound Building Supplies Limited                        | B McEwen                                                                                   |
| Stanley Building Supplies Limited                           | B McEwen, B Stanley-Joblin (R)                                                             |
| Steven Marshall Building Supplies Limited                   | B McEwen                                                                                   |
| Stramit Corporation Pty Limited                             | J Chan (R), B McKenzie, D Orr                                                              |
| Tasman Australia Pty Limited                                | M Brodie, N Sekul                                                                          |
| Tasman Building Products Pty Limited                        | M Brodie, N Sekul                                                                          |
| Tasman Insulation New Zealand Limited                       | H McBeath, B McKenzie                                                                      |
| Tauoma FRL GP Limited (51%)                                 | S Evans, P Majurey                                                                         |
| TBP Group Pty Limited                                       | M Brodie, N Sekul                                                                          |
| Terrace Insurances (PCC) Limited                            | C Bell, K Burke, J Crowder, M Eades (R), B McKenzie                                        |
| The Fletcher Construction Company (Fanshawe Street) Limited | P Boylen, B McKenzie                                                                       |
| The Fletcher Construction Company Limited - NZ              | P Boylen, B McKenzie                                                                       |
| The Fletcher Construction Company Limited (Samoa Branch)    | P Boylen, B McKenzie                                                                       |
| The Fletcher Organisation (Vanuatu) Limited                 | P Boylen, A Care, Diract Limited (R), Lotim Limited (R)                                    |

## Statutory Disclosures (Continued)

| Company                                           | Directors                          |
|---------------------------------------------------|------------------------------------|
| The Fletcher Trust and Investment Company Limited | P Boylen, B McKenzie               |
| Tumu Dannevirke Limited (97.88%)                  | K Gerken (R), B McEwen, B McKenzie |
| Tumu Frame & Truss Limited                        | K Gerken (R), B McEwen, B McKenzie |
| Tumu Gisborne Limited (75%)                       | K Gerken (R), B McEwen, B McKenzie |
| Tumu Hastings Limited                             | K Gerken (R), B McEwen, B McKenzie |
| Tumu Havelock North Limited                       | K Gerken (R), B McEwen, B McKenzie |
| Tumu Hawkes Bay 2022 Limited (96.05%)             | K Gerken (R), B McEwen, B McKenzie |
| Tumu Masterton Limited (94.50%)                   | K Gerken (R), B McEwen, B McKenzie |
| Tumu Napier Limited                               | K Gerken (R), B McEwen, B McKenzie |
| Tradelink Pty Limited                             | B McKenzie, S Naish                |
| Vivid Living Limited                              | S Evans, B McKenzie                |
| Waipapa Pine Limited                              | H McBeath, B McKenzie              |
| Water Filters Australia Pty Limited               | B McKenzie, S Naish                |
| Wednesday Pte Limited                             | P Boylen, A Kumar, C White (R)     |
| Winstone Wallboards Limited                       | H McBeath, B McKenzie, D Thomas    |
| Young Building Supplies Limited                   | B McEwen                           |

As at 30 June 2023, Fletcher Building held an indirect ownership interest in the following associates and joint ventures.

| Company                                   | Ownership |
|-------------------------------------------|-----------|
| Altera Apartments General Partner Limited | 50%       |
| Altus NZ Limited                          | 50%       |
| Bellus Apartments General Partner Limited | 50%       |
| Byfords Read-Mix Limited                  | 50%       |
| Cromwell Certified Concrete Limited       | 50%       |
| Greenraft Limited                         | 33.33%    |
| Hexion Australia Pty Limited              | 50%       |
| Ilico Apartments General Partner Limited  | 50%       |
| Interpipe Holdings Limited                | 50%       |
| JFC Pumps Limited                         | 50%       |
| Kaipara Water Transport Limited           | 25%       |
| NX2 Hold LP Limited                       | 13.40%    |
| Oamaru Shingle Supplies Limited           | 33.33%    |
| P2W Services Limited                      | 50%       |
| Rangitikei Aggregates Limited             | 50%       |
| Rodney Aggregates Supplies Limited        | 50%       |
| Saltus Apartments General Partner Limited | 50%       |
| Verto Apartments General Partner Limited  | 50%       |
| Wespine Industries Pty Limited            | 50%       |

# Corporate Directory

## BOARD OF DIRECTORS

Bruce Hassall (Chair)  
Martin Brydon  
Barbara Chapman  
Peter Crowley  
Rob McDonald  
Doug McKay  
Cathy Quinn

## EXECUTIVE TEAM

Ross Taylor  
Chief Executive Officer

Bevan McKenzie  
Chief Financial Officer

Phil Boylen  
Chief Executive Construction

Claire Carroll  
Chief People Officer

Andrew Clarke  
Group General Counsel  
and Company Secretary

Wendi Croft  
Chief Health and Safety Officer

Steve Evans  
Chief Executive Residential  
and Development

Dean Fradgley  
Chief Executive Australia

Joe Locandro  
Chief Information Officer

Hamish McBeath  
Chief Executive Building Products

Bruce McEwen  
Chief Executive Distribution

Nick Traber  
Chief Executive Concrete

## REGISTERED OFFICE

### New Zealand

Fletcher Building Limited  
810 Great South Road, Penrose,  
Auckland 1061, New Zealand

Private Bag 92114  
Auckland 1142, New Zealand

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### Australia

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QLD 4014, Australia

Locked Bag 71, Virginia BC,  
QLD 4014, Australia

Phone: +61 2 8311 2588

## AUDITOR

EY  
PO Box 2146  
Auckland 1140, New Zealand

## SOLICITOR

Bell Gully  
PO Box 4199  
Auckland 1140, New Zealand

## INVESTOR RELATIONS ENQUIRIES

Aleida White  
Head of Investor Relations

Email: [investor.relations@fbu.com](mailto:investor.relations@fbu.com)  
Phone: +64 21 155 8837

## COMPANY NUMBERS

NZ Incorporation 1104175  
NZBN 9429037065836  
ARBN 096 046 936

## REGISTRY

Computershare Investor Services Limited (Computershare) looks after our share register and is your first point of contact for any queries regarding your investment in Fletcher Building. You can view your investment portfolio, elect to enrol in our Dividend Reinvestment Plan, indicate your preference for electronic communications, supply your email address, change your details or update your payment instructions relating to Fletcher Building at any time by visiting the Computershare Investor Centre at [www.investorcentre.com/nz](http://www.investorcentre.com/nz).

### New Zealand

Computershare Investor Services Limited, Private Bag 92119,  
Auckland 1142, New Zealand

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New Zealand

Phone: +64 9 488 8777

Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)  
Web: [www.computershare.com/nz](http://www.computershare.com/nz)

### Australia

Computershare Investor Services Pty Limited, GPO Box 3329, Melbourne,  
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Abbotsford, VIC 3067, Australia

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Australia)

### Receiving your communications electronically

We encourage shareholders to receive investor communications electronically as it is faster and better for the environment. All you need to do is log in to [www.investorcentre.com/nz](http://www.investorcentre.com/nz) and update your 'Communication Preference' to enable us to send all your investor correspondence electronically where possible.



## Acknowledgement of Country

### Reflect Reconciliation Action Plan (Australia)

Fletcher Building Australia honours the 65 000-years history of this nation. We recognise that Aboriginal and Torres Strait Islander peoples, have cared for, and conserved this land since the Dreaming. Their ties to the land, animals, oceans, and rivers are intrinsic to their being. Fletcher Building respects the Traditional Custodians of the land on which we operate, work, and live. We honour Elders past and present and we are dedicated to a bright future as we move forwards on our road towards reconciliation.

Artist: Elaine Chambers Hegarty



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