



Fletcher Building Announces Industry Response to WA Plumbing Issues

Auckland, 30 August 2024: Fletcher Building Limited (the “Company”) today announced that its subsidiary Iplex Pipelines Australia (“Iplex AU”), together with the Western Australian Government and key industry stakeholders, have reached an in-principle agreement to address plumbing failures occurring in some WA homes constructed with Typlex Pro-Fit pipe (the “plumbing failures” and “Joint Industry Response” or “JIR”).

On the assumption that the JIR is finalised, the Company expects to record a pre-tax provision of ~A\$155 million in its FY25 financial statements – see further discussion below.

Joint Industry Response

Key elements of the proposed Joint Industry Response, which remains subject to final documentation by the parties, are as follows:

- The Joint Industry Response is available to all WA homes in which Pro-Fit pipe manufactured with Typlex resin was installed, irrespective of whether that home is owned by the original purchaser or not.
- Once agreed, the builders of those homes, if they participate in the JIR (“Participating Builders”), will be the point of contact with their homeowners and have agreed to attend and fix every plumbing failure and repair any damage to that home resulting from it. They have also agreed to undertake an additional programme of work, including replacing ceiling pipes, in those homes that experience a plumbing failure and – for homes with extensive failures – either a zone or a full home re-pipe. Temporary accommodation will be provided for homeowners for whom a full home re-pipe is carried out.
- This work programme has been designed by the industry and the WA Government to provide the most pragmatic solution for affected homeowners, providing priority to the homes most affected while recognising the capacity constraints on the industry.
- Together, Iplex AU and the WA Government have committed to cover the direct costs of Participating Builders incurred in providing the work programme under the JIR: 80% by Iplex AU and 20% by the WA Government. Participating Builders will pay their own administrative costs of the JIR.



- The JIR recognises that a product recall is not an appropriate response to the plumbing failures.
- The JIR has no time limit and homeowners will be entitled to access its benefits through their Participating Builder if and as needed. Homeowners and their insurers will have no need to go elsewhere nor be required to fund their own repairs.
- The builders who built almost all of the affected homes participated in the mediated discussions for the JIR. All of those builders, other than BGC (which built approximately 50-60% of the affected homes), have agreed to join the JIR.
- Any other builder of an affected WA home (including BGC) will be offered the opportunity to participate in the JIR, on the same terms as the other Participating Builders.
- In addition, and as an important precautionary initiative, Iplex AU will offer all relevant WA homeowners, including those whose builders have not agreed to participate in the JIR, the supply and installation of a leak detector unit, free of charge. These units provide early alerts and reduce impact in the event of a plumbing failure.
- The WA Government has announced it will change the law, extending the time for affected homeowners to lodge complaints relating to the Typlex Pro-Fit pipe plumbing failures only with its Building Commissioner from 6 years post completion to 15 years post completion. This extension will also apply to homes that are already more than six years old. To accompany that law change and to support the JIR, the WA Government will also introduce a formal policy that ensures building remedy orders made by the Building Commissioner and the State Administrative Tribunal are consistent with the terms of the JIR. These changes also assure homeowners that, whether their builder participates in the JIR or not, their complaints will be dealt with consistently. If a builder is not part of the JIR, they will still be required to take the actions ordered, but will not be eligible for funding of their direct costs from Iplex AU or the WA Government.
- Iplex AU's offer of funding Participating Builders' direct costs at the rate of 80% is not capped. The WA Government's 20% contribution is capped at A\$30 million (but there is the opportunity for parties to confer with the Government if its funding reaches A\$26 million).



- The JIR is entered into by the parties on a no liability, no admissions basis. Iplex AU is committed to the JIR because it is the most timely and pragmatic solution for homeowners and a more appropriate path than a product recall. Iplex AU recognises the importance of playing its part to help deliver this response.
- Iplex AU will appoint an experienced loss assessor to manage the claims for repair costs under the JIR, providing all parties (including the WA Government) with a system to confidently monitor activity and verify costs.

All participants in the JIR have agreed to a “no sue” provision, meaning they will not bring actions against each other in relation to the plumbing failures. Each party is, however, not restricted from acting in its own interest in defending or responding to any claim brought by a person who is not party to the JIR (and the WA Government has reserved its rights in relation to future actions if based on information obtained by it after the date of the JIR).

If a third-party claim is a homeowner class action, the JIR will terminate as to those homes or their owners who are members of the relevant class at the conclusion of that action. The JIR will continue for any eligible home whose owners did not participate in the class action, but the terms of the JIR will be renegotiated by the parties at that time in light of the facts then prevailing.

The JIR (both work programme and funding rates) may also be renegotiated if a different outcome results from any other type of future third party lawsuit. However, that change would only apply to amounts or activities required from that point forward. All amounts spent in performing the JIR to that point, either by Iplex AU or other parties, cannot be reclaimed retrospectively.

The JIR does not require Iplex AU to fund claims brought against builders by homeowners for costs incurred by the homeowners or their insurers outside the JIR (except in limited circumstances).

Current litigation

As previously notified, a class action has been served on Iplex AU on behalf of all homeowners, Australia-wide, alleging that the Pro-Fit product was not of acceptable quality at the time of supply and seeking a broad range of damages. (See Note 26 in the Company's FY24 financial statements for more information about that claim).



In addition, BGC has filed a claim against Iplex AU making similar claims regarding the pipe not being of acceptable quality or fit for purpose and seeking a wide range of damages, including for rectification work done to date.

While this matter is on foot, BGC is not eligible to join the JIR. Iplex AU would welcome BGC into the JIR on the same terms as all Participating Builders for the benefit of its homeowners. At BGC's request, Iplex AU has said it will participate in ongoing discussions about BGC joining the JIR in the future. The outcome of those discussions is not certain at this time.

Iplex AU intends to defend the existing legal proceedings.

Additional claims may be brought. For example, it is possible that further litigation may be brought on behalf of homeowners, insurers or other builders who are not participating in the JIR. The terms of the JIR do not require a homeowner to release or waive any rights they may have against any participant in the JIR.

Despite reaching an in-principle agreement on the JIR, legal and financial risks remain for Iplex AU and Fletcher Building. If a current or future matter was successfully brought against Iplex AU, it may have a material adverse impact to the Group.

More details of the JIR, including practical details about the leak detector roll out and timing, will be announced when the JIR legal agreements are finalised. The parties are targeting for that to occur over the next month, enabling work and funding under the JIR to commence shortly thereafter.

Iplex Interim Fund extended

To support builders who are registered with it and their homeowners, Iplex AU has extended the operation of its Interim Fund on current terms to the end of September 2024. This will enable continuity of funding whilst the formal documentation is finalised.

Provision details

On the assumption that the JIR is finalised, the Company expects to record a pre-tax provision of ~A\$155 million in its FY25 financial statements. The provision will cover:

- Iplex AU's share of costs to repair affected WA homes: ~A\$120 million
- Iplex AU's costs of installing leak detectors to all relevant WA homes: ~A\$20 million
- Iplex AU's associated administration costs over the life of the JIR: ~A\$15 million

This provision will be recorded as a Significant Item.

The provision has been based on the following assumptions:

- That ~35% of relevant WA homes will experience one or more leaks over time. This allows a buffer above Iplex AU's estimate of leak rates, extrapolated from leak data Iplex AU has collected over the last 12-15 months. This percentage is based on an estimate that 15,000 WA homes may have had ProFit pipe installed with Typlex resin. To the extent that denominator is updated, the percentage reference rate correspondingly changes.
- That all WA homes that experience a plumbing failure, including those built by BGC, may apply for funding under the JIR. Although BGC is not currently a party to the JIR, Iplex AU's offer to fund Participating Builders would extend to BGC if it joins the JIR, hence the provision has been sized to include it. If BGC stays out of the JIR, the repair costs funded by Iplex AU are expected to be proportionately lower.
- That the contribution from the WA Government will be its capped amount of A\$30 million. It is noted that if A\$26 million of the WA Government's committed A\$30 million is disbursed, then the JIR requires that the WA Government and other parties meet and consider whether the JIR remains effective and continues to meet its objectives.

The provision is subject to the final documentation of the JIR and to further assessment as part of the Company's accounting processes.

The pre-tax cash flows associated with the Iplex AU's participation in the JIR are expected to be expended over at least five years. The annual cash flows will be subject to the actual rate of leaks and the type of repairs undertaken. They are expected to be front-loaded due to the initial programme set-up costs, the need to re-pipe homes that have already been more extensively affected and installing leak detectors.

If the provisioned amount is spent over the next 5 years, the Company's cash flows in year one of the JIR could be in the order of A\$40 million to A\$50 million, and in subsequent years in the order of A\$15 million to A\$35 million. If BGC remains not a party to the JIR, these cash flows are expected to be proportionately lower.

If BGC remains outside the JIR, the cash flows for the leak detector roll out are not expected to change, as all homeowners will be offered units, including those whose builders are not participating in the JIR.

Acting Fletcher Building CEO Nick Traber said: "We acknowledge the efforts of Minister Ellery and the WA Government in facilitating a mediated outcome for the benefit of WA



homeowners. We welcome this in-principle agreement with the WA Government and the many builders involved to address the WA plumbing failures. We further acknowledge the WA Government's recognition that a product recall is not an appropriate response given the circumstances involved.

"As we have said for some time, it is in all parties' interests, as a first priority, to stand up a comprehensive response which remediates the plumbing issues in a timely and pragmatic way.

Our work to date has shown that a rapid response to initial leaks, installing leak detectors and replacing ceiling pipes in homes that have suffered a plumbing failure is the most effective and homeowner-friendly way to mitigate future issues. We therefore see the Joint Industry Response as a sensible and practical outcome for all parties."

Conference call to be held today

Fletcher Building management will host a presentation and Q&A briefing **today, 30 August 2024 at 2:00pm NZST / 12:00pm AEST** to discuss today's announcement. Participants can register for the conference by navigating to the following link:

<https://s1.c-conf.com/diamondpass/10039956-88qfrd.html>

Upon registration you will be provided with the dial in number, passcode, and your unique access PIN. To join the conference simply dial the number and enter the passcode followed by your PIN, and you will join the conference instantly.

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