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**Fletcher Building  
Limited**

Private Bag 92114  
Auckland 1142  
810 Great South Road  
Penrose  
Auckland 1061  
New Zealand

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fletcherbuilding.com  
+64 9 525 9000

**19 August 2020**

**Fletcher Building Limited – Amendment to 2020 Annual Report**

Fletcher Building wishes to correct a typographical error on page 56 in the Remuneration Report section of its Annual Report released earlier today.

The number of shares granted under the LTI Scheme to the CEO in FY20 and FY19 were transposed. The correct numbers are:

FY20: 263,628 shares and FY19: 196,495 shares.

The footnotes (4) and (5) on the same page connect the right share price to the correct number of shares in each tranche.

These errors have been rectified, and attached is the updated 2020 Annual Report.

**ENDS**

*Authorised by:*

Andrew Clarke

Company Secretary

For further information please contact:

**INVESTORS AND ANALYSTS**

Aleida White

Head of Investor Relations

+64 21 155 8837

[Aleida.White@fbu.com](mailto:Aleida.White@fbu.com)



# Contents

Welcome to our FY20 Annual Report, which describes our business operations, approach to doing business, performance for the year and focus for FY21. As with our previous reports, we include commentary on our strategy, governance, environmental and social performance of our business as well as 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).

## Our Year



## Governance



## Financial Report



## Performance




Divisional Review

## Other Disclosures



This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Acrobat Reader.

To navigate this report, click the links to the left to navigate to desired pages. You can also click the  View contents page menu button on the top of any page to return here.

This Annual Report is dated 19 August 2020 and is signed on behalf of the Board by:

**Bruce Hassall**  
Chair

**Robert McDonald**  
Director

When used in this Annual Report, references to the 'Company' are references to Fletcher Building Limited. References to 'Fletcher Building' or the 'Group' are to Fletcher Building Limited, together with its subsidiaries and its interests in associates and joint ventures. All references to financial years (e.g. FY19 and FY20) in this Annual Report are to the financial year ended 30 June. References to \$ and NZ\$ are to New Zealand dollars unless otherwise stated.

In certain sections of this report the Group has chosen to present certain financial information exclusive of the impact of Significant Items and/or the results of the Building + Interiors (B+I) business unit, consistent with previous market guidance. Where such information is presented, it is clearly described and marked with an appropriate footnote. This allows the readers of this report to better understand the underlying operations and performance of the Group.

# At a Glance

People in New Zealand,  
Australia and the South Pacific

15,000<sup>+</sup>

Operating sites

650<sup>+</sup>

Revenue

\$7,309m

2019 \$8,308m

Net (loss)/earnings  
– reported

(\$196m)

2019<sup>(2)</sup> \$164m

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

\$160m

2019 \$549m

Cash flows from  
operating activities

\$410m

2019 \$153m<sup>(2)</sup>

Earnings per share

(23.5¢)

2019 28.8¢

Leverage ratio  
(economic net debt/EBITDA)

0.9x

2019<sup>(2)</sup> 0.4x

Total dividend

nil

2019 23 cps

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

2.2%

2019 6.6%

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



5.7

2019 5.0

Employee engagement



71% <sup>(4)</sup>

2019

Carbon Emission



1,132,416 tCO<sub>2</sub>e

2019 1,298,266 tCO<sub>2</sub>e

Customer NPS <sup>(5)</sup>



39

2019 39

<sup>(1)</sup> 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 Limited's financial statements for the year ended 30 June 2020.

<sup>(2)</sup> The 2019 number includes discontinued operations which were divested during the year.

<sup>(3)</sup> Total recordable injury frequency rate. Measured by the number of recordable injuries per million hours worked. TRIFR does not include restricted work injuries.

<sup>(4)</sup> Note that the employee engagement survey did not take place as originally planned in March 2020 because of the COVID-19 crisis.

<sup>(5)</sup> Net Promoter Score is a measure of how satisfied our customers are with our business. Prior years have been restated to reflect inclusion of all business units in NPS programme.

# Chair's Report



Bruce Hassall, Chair.

Dear Shareholders

## OVERVIEW OF FY20

This has been an extraordinary and challenging year for Fletcher Building and for our shareholders. The unprecedented events of COVID-19 required decisive action and strong governance to ensure the Group was positioned for both the immediate impacts and the ensuing economic downturn. Importantly, the Group balance sheet has remained very strong.

Ahead of COVID-19, the Group was in a good position to deliver on its goals and execute its strategy. However, the impact of the stringent shutdown requirements in New Zealand as well as the health and safety measures required in Australia due to the COVID-19 pandemic, resulted in the Group delivering a loss attributable to shareholders of \$196 million in FY20 compared to a profit of \$164 million in FY19. We had to make some very difficult decisions this year which unfortunately included cancelling our interim dividend and not declaring a final dividend.

As the COVID-19 pandemic unfolded in March, the Board turned very quickly to addressing the immediate challenges of the rapidly evolving situation. We provided oversight and support to the executive team as they focused on the health and operational situation affecting our people, our customers and our suppliers. In New Zealand, we shut down almost all of our operations for a five-week period in an unprecedented country-wide lockdown.

We then shifted to preserving the strong balance sheet and liquidity positions we had established, as well as sizing the Group for the lower market outlook and we took decisive action to reduce costs which affected almost all our stakeholders. This included suspending our on-market share buyback programme, reducing capital expenditure, effective management of creditors and debtors and stopping all non-essential expenditure. We also reduced remuneration across the Board, executive team and general managers, placed employees on the 'Bridging Pay Programme', removed STI bonuses and unfortunately, given the uncertainty of the situation, cancelled our interim dividend. In addition, we negotiated more favourable terms on our lending agreements allowing us to rely on more favourable debt covenants. We are grateful to our shareholders, customers, suppliers and other stakeholders for their support. Because of these actions, our strong balance sheet withstood the uncertainty of the crisis and ended the year with net debt of \$497 million and liquidity of \$1.6 billion (adjusting for the repayment of debt on 29 July 2020 the Group's liquidity at 30 June 2020 would have been \$1.3 billion). We have not needed to raise capital.

While we took decisive action, we were unable to prevent a material earnings impact, and unfortunately, we decided to increase our provisions across our Buildings and Infrastructure projects in our Construction division by \$150 million. The majority of the provisions were as a result of impacts from COVID-19 shutdowns and productivity losses which will affect FY20 and beyond. Importantly we are now well through the legacy work left to complete across buildings and infrastructure and at the same time we have successfully bid and won new work that is of much higher quality and importantly at a significantly lower risk than the legacy work we have just about completed. The margins and contract terms have been strictly controlled through the bid processes to ensure they are more balanced and appropriate. While the additional provisioning on historical projects is disappointing, Fletcher Construction is increasingly well set-up to deliver sustainable earnings in the future.

At the same time, we were also focused on ensuring Fletcher Building is effectively set up for the inevitable lower market activity that will play out in FY21. This has resulted in the recognition of significant items in FY20 of \$276 million, the majority of which relate to the difficult but necessary decisions to permanently reduce our cost base including property footprint reduction, rationalisation across our supply chain, logistics and procurement activities, and regrettably a reduction in our workforce by approximately 12%. We are also recognising impairments and restructuring costs to the Rocla business that is being divested and the early repayment of the some of our most expensive debt resulted in a one-off payment of \$30 million, albeit saving \$17 million in interest per annum.

## OUR PEOPLE

We are very proud of our Fletcher Building people who worked with commitment to meet the Government requirements of the various lockdown levels in New Zealand, as well as meeting the rules in Australia, with social distancing, personal protective equipment and contact tracing.

We responded rapidly and effectively to the impact of COVID-19, sadly losing some talented and hard-working people through the resizing of the business. On behalf of my Board colleagues, I would like to express our sincere appreciation for the continued dedication and efforts of the Group's workforce during FY20; especially for their focus on rising to the new challenges and during a period of significant uncertainty.

As part of the multi-year reset of the Protect safety programme, the Board are resolutely behind the belief that all injuries are preventable, and the work being done by the Group to embed this and the aim to have zero injuries every day. Fletcher Building is heading in the right direction, driven by strong and compassionate leadership, with no deaths and fewer serious injuries this year. A slight increase in the Total Recordable Injury Frequency Rate, while disappointing, means that we will continue to drive improvement in this area and ensure our workplaces are safer.

## BOARD DEVELOPMENTS AND GOVERNANCE

During the year, there were a number of changes to the Board. Tony Carter retired from the Board at last year's Annual Shareholders' Meeting (ASM) while Steve Vamos resigned from the Board in March. We thank both Tony and Steve for their considerable knowledge, experience and contribution over their 10 and 5-year respective tenures.

We welcomed Peter Crowley to the Board who was appointed as an independent non-executive director in October. We continue to look to renew and refresh the Board's mix of skills and experience from a broad stakeholder point of view.

## ANNUAL SHAREHOLDER MEETING

This year's ASM will be held in November 2020. We look forward to shareholders taking the opportunity to ask questions.

## LOOKING AHEAD

The Board remains firmly focused on achieving the Fletcher Building strategy, sustainability targets and continuing our focus on the Protect safety programme. We are confident that Fletcher Building is well-positioned for the new market reality.

We are dedicated to improving profitability in our businesses so that we deliver shareholder value and we continue to deliver on our aspirations in the building solutions sector in New Zealand and Australia.



**Bruce Hassall**  
Chair

# CEO's Report



Ross Taylor, CEO.

Fletcher Building's FY20 performance was characterised by the impacts of COVID-19 and the actions we took to ensure we were well positioned to successfully navigate the market uncertainty in FY21 and beyond.

An unwavering commitment to health and safety was a hallmark for the year overall. As the risk of COVID-19 emerged, we moved quickly to adopt rigorous hygiene, distancing and contact tracing protocols. We continued our focus on the multi-year reset of our safety programmes across the entire business. We are driving positive change in our safety culture through our company values and a genuine belief that all workplace injuries are preventable. In FY20, in our drive towards zero injuries we were pleased to see we had no fatalities and total serious injuries reduced from 15 to 8. While our Total Recordable Injury Frequency Rate (TRIFR) 5-year trend continues to show progress, our FY20 rate was slightly up from last year. This only moves to strengthen our commitment and focus on preventing all injuries.

## OPERATIONAL PERFORMANCE

When we updated shareholders at the half-year, we were trading to expectations, making good progress with operating efficiencies, and had solid investment plans to drive growth.

Then, as COVID-19 crossed New Zealand and Australian borders through March 2020, the resulting reduction in trading levels and productivity had a significant impact on revenue and profitability.

In New Zealand, we had a period of nearly five weeks in March-April where a Government-imposed 'Level 4' lockdown required almost all our business to be shut down with trading restricted to essential services only. The exceptional response of our people meant we shut down some 400+ sites, safely, and in just three days. Revenue from our New Zealand operations during this period was almost nil.

In Australia, the country took similar protective measures to keep its people safe, resulting in lower revenues and productivity levels, and higher operating costs, in the context of uncertain trading conditions.

As this was unfolding, we moved quickly taking all measures we could to reduce costs: Board and senior management pay cuts, \$70 million reduction in capital expenditure, reduced spending in areas such as marketing and introduced a 12-week 'Bridging Pay Programme' for employees.

As a result of our pragmatic and decisive action we have preserved our operating cash flow and strong balance sheet, despite materially reduced earnings.

## FLETCHER CONSTRUCTION

We have continued to make good progress in working through the historical construction projects, with only \$0.6 billion of the original \$2.2 billion from 2018 remaining. At the same time, we have also progressively rebuilt the operations and skills of this business. An important part of this was the reset of our bid margins and disciplines, and the risks we would accept on projects. Since this reset, we have successfully won new work comprising a forward order book of approximately \$2.4 billion with a materially better margin outlook and lower risk profile.

Through the FY20 year-end process we decided to increase the provisions to complete our historical construction projects by \$150 million. This addresses three main issues that emerged: COVID-19 costs and productivity losses which we have not been able to claim under our contracts with clients, issues arising from a handful of historically completed projects and a prudent risk allowance across the legacy work left to complete.

While the need for additional provisioning is disappointing, I believe Fletcher Construction is now increasingly well positioned to focus on its future, and a sustainable and profitable earnings outlook.

## FY20 OPERATING PERFORMANCE

For FY20, Group revenue was \$7,309 million, down from \$8,308 million in FY19.

Operating earnings before significant items from continuing operations was \$310 million and accounting for the construction provisions reduced to \$160 million compared to \$549 million in FY19. Pleasingly, cash flows from operating activities were well managed through the COVID-19 impacts and strong at \$410 million.



## SETTING UP THE COMPANY FOR THE NEW MARKET REALITY

As trading and movement restrictions eased in late April, while uncertainty remained, expert forecasts pointed to a meaningful market decline and reduced customer demand across all our businesses. While no one can be certain exactly how our markets will perform in FY21 it was important to adopt a base case scenario to plan for.

In New Zealand our baseline planning is for residential consents to decline by around 30% from peak levels in FY20 and non-residential activity to be impacted by a reduced private sector project pipeline. Infrastructure shows promise of a lesser decline owing to the Government's commitment to 'shovel-ready' projects. In Australia, a similar trend is expected though with a lesser decline in the residential sector, given the already low level of activity by historical standards.

Accordingly, we have reset the cost base and cash burn of the business. This meant reducing our annual capital expenditure, retiring our most expensive debt lines, taking operational efficiencies in our supply chains and property footprint, forfeiting Short-Term Incentive (STI) payments and salary increases across the Group, and regrettably, reducing our workforce by around 1,500 positions. While these moves were necessary, there is no doubt that this has been a challenging time for our people. Throughout, our people have done an exceptional job of serving our customers, safely managing our operations, and resetting the business. We recognise their hard work and valuable contribution to the Group in FY20.

This reset will achieve permanent annual cost savings of approximately \$300 million per annum but incurred one-off restructuring costs contributing to significant items of \$276 million. This translated to a net loss for the Group of \$196 million, compared to a profit of \$164 million in FY19.

## CAPITAL MANAGEMENT

Our balance sheet remains strong with a Group leverage ratio (net debt/EBITDA) below the bottom end of our target range and we have total available funding of \$2.1 billion as at 30 June 2020. Of this, \$525 million was undrawn with \$1.1 billion of cash on hand, meaning total liquidity for the Group was \$1.6 billion. In early June we pre-emptively renegotiated our lending covenants which will enable the Group to rely on more favourable terms for covenant testing through to the end of 2021. Since balance date, we made an early repayment of US\$200 million and AU\$99 million of USPP notes, our most expensive form of debt, meaning the Group's liquidity at 30 June 2020 would have been \$1.3 billion.

The share buyback continues to be suspended, having acquired 29.1 million shares for a total consideration of \$147 million, representing 3.4% of issued capital.

## STEADFAST FOCUS ON STRATEGY

Notwithstanding the uncertainty and disruption in our markets and the broader economy, we remain on track and committed to executing our strategy and achieving our vision to be the undisputed leader in New Zealand and Australian building solutions – with products and distribution at our core.

FY20 saw continued progress on enabling our strategies through investments and innovation across our business. We opened Clever Core, New Zealand's largest offsite home manufacturing facility, which brings unprecedented pace to Fletcher Living's ability to deliver housing to its developments. We were the first building materials and construction company in New Zealand and Australia to commit to a Science-Based Target (SBT) for carbon emissions and were included for the first time in the DJSI Australia index, one of only five New Zealand business in either the Australia or Asia-Pacific indices. We opened a new concrete plant in Mt Maunganui, committed to developing our new Winstone Wallboards facility in nearby Tauranga and completed the retail precinct at the iconic Commercial Bay development, which will transform Auckland's CBD. Following a brief pause, the sale process for Rocla continues in a market of improving investor sentiment and is targeted to be completed in FY21.

Looking ahead, we will continue to focus on investing significantly in our digital and innovation strategies, while also looking for opportunities to grow our market share either in our existing product lines or in logical adjacencies. With our strong balance sheet position, we expect the coming tougher market environment will afford us even better opportunities to achieve our aspirations and overall strategies.

## CONCLUSION

Recognising the unexpected events of FY20 and ongoing uncertainty in our markets, we made some difficult but necessary decisions under challenging circumstances. This has ensured a strong balance sheet for short-term market conditions and a business positioned to help rebuild the New Zealand and Australian economies in the longer-term; just as we have done for more than 100 years.

I want to thank our shareholders, people, customers and suppliers for their trust and support in our business and look forward to our next update.



Ross Taylor  
CEO



# Our Strategy

**Vision:** To be the undisputed leader in New Zealand and Australian building solutions – with products and distribution at our core.

There are four key focus areas to our strategy:

<div>1. Strengthen and grow the New Zealand core</div> <p>We are continuing our focus on operational excellence and driving profitability. We will complete the fix of underperforming businesses. We will target market share growth through customer service performance, product innovation and adding logical adjacencies.</p>	<div>2. Profitable growth in Residential and Development</div> <p>We will continue our strong performance across the residential business. We will aim to progressively build apartment capability and volumes. Clever Core will grow through adding external customers and a broader product range. Meanwhile we have a solid pipeline of industrial land development which will support a minimum of circa \$25 million p.a. ongoing profits.</p>	<div>3. Stabilise Construction</div> <p>We are focused on completing the historical Construction order book. Meanwhile we continue to build out the "go forward" lower risk/higher margin order book across all Construction business units. We will continue to upskill the business and improve overall operating disciplines and consistency.</p>	<div>4. Turnaround and grow Australia</div> <p>We are rationalising our portfolio and associated business sales. We have a strong focus on driving top line growth, operational performance and margin improvements. We aim to grow market share through customer service performance, product innovation and adding logical adjacencies.</p>
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There are six key enablers of our strategy:

Strong <b>safety</b> culture	<b>Customer</b> intimacy through channel ownership	Engaged and capable <b>people</b> , with a lean operating model
Fit for purpose <b>systems</b> and next-generation <b>digital</b> capabilities	Disciplined <b>performance improvement</b> and capital allocation	Leading <b>innovation</b> anchored in <b>environmental</b> consciousness

# Our Sustainability Aims

To support our strategy, we continue to focus on sustainability.

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, investors and key stakeholders. Our strategy addresses the areas where we have the most impact, and our aims and targets focus on where our actions will lead to meaningful change – these are our Material Issues.

The table below shows how the aims of our sustainability strategy align to our Material Issues and the Sustainable Development Goals most relevant to these aims. We have noted which divisions have the most impact on achieving the aim, and we report on performance against each aim in the following Sustainability section of this report on pages 8-18. Page 49 of this report summarises how we assessed our Material Issues.

Sustainability aims	Material issue	Divisions with most impact
 Be the leader in making sustainable building products	<ul style="list-style-type: none"> <li>The environmental footprint of our products</li> <li>Customer engagement</li> </ul>	Building Products, Distribution, Concrete, Australia
 Support our people and our communities	<ul style="list-style-type: none"> <li>The health, safety and wellbeing of our people and supply chain</li> <li>Our people and culture</li> <li>Our role as a large employer</li> </ul>	Corporate, Building Products, Distribution, Concrete, Residential and Development, Construction, Australia
 Build healthy homes and deliver sustainable infrastructure	<ul style="list-style-type: none"> <li>Building design and construction</li> <li>Customer engagement</li> <li>Product innovation</li> </ul>	Building Products, Distribution, Concrete, Residential and Development, Construction, Australia
 Careful management of our resources and emissions	<ul style="list-style-type: none"> <li>The resources we use as a large manufacturer and our impact on those resources (energy, water and materials)</li> <li>Our carbon, water and waste emissions</li> </ul>	Building Products, Distribution, Concrete, Residential and Development, Construction, Australia
 Partner with our supply chain to deliver sustainable outcomes	<ul style="list-style-type: none"> <li>Our supply chain practices and performance</li> <li>Marketing and communications</li> <li>How we work with government and with industry partners</li> </ul>	Corporate, Building Products, Distribution, Concrete, Residential and Development, Construction, Australia
 Transparent environmental, social and governance reporting	<ul style="list-style-type: none"> <li>Our governance structures, ethics and risk management, including supply chain</li> <li>Financial performance and return to our shareholders</li> </ul>	Corporate

## SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals are a global set of goals adopted by New Zealand, Australia and all United Nations member states that support strategies to improve health and education, reduce inequality, and spur economic growth while tackling climate change and working to preserve our oceans and forests. Fletcher Building's sustainability aims support the following eight United Nations Sustainable Development Goals.





# FIRST

to set a Science Based Carbon Target in our Sector, in New Zealand and Australia



MEMBER OF  
**Dow Jones Sustainability Indices**  
In collaboration with  a RobecoSAM brand

## Sustainability Performance

Our aspiration is to be the New Zealand and Australian leader in sustainable building materials, construction and distribution. We've been making meaningful and consistent changes so our business thrives and we play our part in a sustainable future.

Our sustainability strategy deepens our commitment to our people, sustainable products, carbon emission reduction initiatives and transparent reporting.

As part of this, we are focused on increasing the level of transparency and disclosure within our operations and supply chain. We have had a Code of Conduct for our people for some years, and in FY20 we published our supplier Code of Conduct. This requires all our suppliers to demonstrate transparency in the way they work, how they treat their employees and suppliers, and their environmental protection measures.

In FY20 we added to our governance policies by publishing our Human Rights Policy. This includes our commitment to put processes in place to prevent unethical practices in our operations and supply chains.

Fletcher Building has commenced the implementation of a comprehensive Modern Slavery Compliance Programme, which addresses our obligations. We are initially adopting a risk-based approach to implementation, focusing on specific industry and geographical segments. We will comply with annual modern slavery reporting obligations, which will commence from 31 March 2021.

We also continue to proactively participate in the Carbon Disclosure Project and the Dow Jones Sustainability Index (DJSI). We use the insights from these indices to inform and improve our governance and sustainability performance. Our increased focus on sustainability was recognised this year with the inclusion of Fletcher Building in the DJSI Australia index, one of only five New Zealand businesses in either the DJSI Australia or DJSI Asia-Pacific indices.

In our FY19 report, we noted six significant initiatives for FY20. We provide an update on these initiatives in this report.

Significant initiatives in FY20	Information in this report
Protect safety	p 11
Reduce the environmental impact of our products	p 17, 18
Put a gender pay parity plan in place	p 10, 11
Set group wide Science-Based Target for carbon reductions	p 16
Implement supplier Code of Conduct	p 8
Move to full Environmental, Social and Governance reporting	Coverage of this report



**To be part of a sustainable future, we are working on six aims:**



**BE THE LEADER IN MAKING SUSTAINABLE BUILDING PRODUCTS**

- Reduce the environmental impact of our products
- Gain sustainability product certifications



**TRANSPARENT ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING**

- Improve environmental, social and governance reporting across our business



**SUPPORT OUR PEOPLE AND OUR COMMUNITIES**

- Protect our people from harm
- Improve diversity, equity and inclusion in our workplace
- Provide world-class learning and development opportunities
- Measure the impact and opportunities we provide in the communities where we build



**CAREFUL MANAGEMENT OF OUR RESOURCES AND EMISSIONS**

- Reduce carbon emissions in line with a below 2°C future



**PARTNER WITH OUR SUPPLY CHAIN TO DELIVER SUSTAINABLE OUTCOMES**

- Improve environmental, social and governance reporting within our supply chain



**BUILD HEALTHY HOMES AND DELIVER SUSTAINABLE INFRASTRUCTURE**

- Meet a consistent sustainability standard for our construction projects
- Understand what matters to our customers and lead in providing sustainable solutions
- Innovate to sustainably grow revenue, margin and markets



**FY20**  
Total Recordable Injury  
Frequency Rate (TRIFR)

**5.65**

FY19: 5.00

**FY20**  
Serious Injury  
Frequency Rate

**0.17**

FY19: 0.34



 **GLOBAL WOMEN**



# Supporting our people and communities

Our first priority is always the health and safety of our people and everyone we work with. This year we built upon our safety focus and began a multi-year programme to improve safety in our workplaces driven by the belief that all injuries are preventable.

Our senior leaders are engaging directly with our people to establish the change we need. We continue to set clear expectations on role modelling safe behaviours and performance against these expectations is linked to senior leader remuneration. Across the business, our people have been positive and open to their role in how we can all make our workplaces safer.

Over the coming years, we will continue to improve our practices in assessing and managing critical risks within our operations.

We continue to use Radar, an enterprise-wide risk management tool, to record and monitor our health and safety performance. For FY20, our overall Total Recordable Injury Frequency Rate (TRIFR) increased slightly from last year. We have also provided further transparency by reporting separate employee and contractor TRIFR rates. This year, serious and fatal injuries were significantly lower. While any injury is unacceptable, a drop from five fatalities and 15 serious injuries (combined total 20) in FY19 to zero fatalities and eight serious injuries in FY20 indicates that we are heading in the right direction.

Close to 10,000 of our people across the Group took part in safety training programmes this year. We also focused on supporting and developing our people in other areas. The wide range of learning and development programmes we offer include safety leadership and compliance training, sales and customer service programmes, Rainbow Tick training for leaders and core management and leadership skills. As part of providing great career opportunities for our people we offer leadership development programmes for all levels from emerging leaders to executives. This year we have had



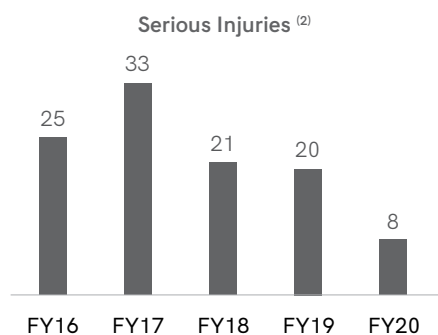
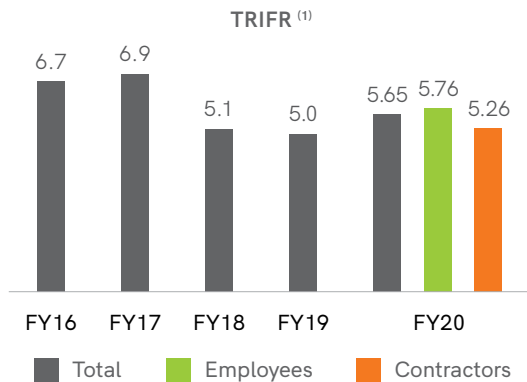
**We are heading in the right direction with safety.**

a greater focus on female leader development opportunities, improving how we induct new employees into Fletcher Building, and redesigning our core leadership programmes to include a range of online and in-person approaches to deliver programmes for a variety of learning styles. We have increased the level of feedback from participants and track outcomes to understand the impact and effectiveness of these programmes. We want our business to be inclusive for everyone. We track the diversity of our workforce at all levels and report our diversity metrics. This includes reporting progress on the diversity of people in leadership roles to our Board. In FY20 we developed a company-wide Inclusion and Diversity strategy which will drive our progress in this area. We have three areas of focus: fostering an inclusive workplace culture, increasing the representation of women across all parts of the business, and increasing leadership opportunities for groups that are currently under-represented: women, Māori, Pasifika and indigenous people.

In FY20, we undertook a detailed analysis of pay and implemented gender pay parity reporting processes across the Group. This has enabled us to gain understanding, self-monitor and report to the Board. Alongside this, we took part in Global Women's Champions for Change pilot programme for gender pay gap reporting. This pilot provided a broad cross-industry review of male versus female pay and is being used to develop a framework for comparable

and meaningful reporting. Fletcher Building Chair Bruce Hassall, director Barbara Chapman and CEO Ross Taylor are three of the 55 chairs and CEOs involved in Champions for Change, which aims to advance inclusion and diversity in New Zealand, through identifying initiatives and actions in this space such as closing the gender pay gap.

We recognise that women are under-represented in our industry and are actively working to promote careers for women. In 2020 we became corporate members of the National Association of Women in Construction and teamed up with GirlBoss NZ to run the first 'speed internship' week for young women interested in careers in science, technology, engineering and mathematics.



<sup>(1)</sup> Total recordable injury frequency rate. Measured by the total number of recordable injuries per million hours worked. TRIFR does not include restricted work injuries.

<sup>(2)</sup> Serious Injury includes immediate treatment as an in-patient at hospital for more than 24 hours or immediate treatment for a serious injury or illness as defined by Safe Work Australia.



## Protect Reset

This year we reset our commitment to health and safety and started on our multi-year safety culture change programme.

Following the reflections of a deep assessment of the culture and performance of our businesses, we developed a roadmap to help us realise a future where *zero injuries everyday* is possible. The roadmap includes five focus areas:

1. Shifting mindsets
2. Developing our leaders
3. Enabling our frontline
4. Managing our critical risks
5. Driving accountability

The journey this year began with senior leaders reflecting on our own leadership and challenging our safety beliefs. As part of this, we agreed that safety needed to be integral to everything we do. We reset 'Protect' as a Fletcher Building company value along with refining behaviours which support the value and establish the belief: all injuries are preventable. The link between safety performance and senior leader remuneration was also strengthened this year. All senior leaders are required to complete a set number of safety leadership walks for STI eligibility.

Each division now has plans to implement the roadmap in a way that is line-led by operational chief executives, general managers and management. This is supported by EHS partners, and focused on critical risks as well as driving our TRIFR down. Some of the activities already underway include a safety leadership programme (for all levels from frontline supervisor to executive), the development and launch of life saving rules and active risk containment activities across all our sites.



## Supporting our people and communities (Continued)

Case Study



### Future workforce matched with future-focused manufacturing

Our latest startup Clever Core used Fletcher Building's own recruitment platform Switch Up to employ people entering the workforce for the first time or people wanting to retrain for a career in manufacturing and construction. Our people at Clever Core have gained skills in the growing field of offsite manufacturing and have opportunities to move into management and specialist roles.

It is really exciting to see our latest venture come together, being expertly guided by a team of highly motivated young people keen to use new skills gained through specialist training they wouldn't get anywhere else. We are proud to match this future-focused manufacturing facility with our future workforce.

– Ross Taylor.

Switch Up is an award-winning recruitment tool developed by Fletcher Building to transform the way we attract, select and develop first-time job seekers. It is designed to engage young people and simplifies the application process. Job descriptions are provided by videos from current employees describing their lives on the job. Instead of creating CVs, applicants create job-seeker profiles and answer employer questions that are designed to give applicants insight into employment and the skills required for the job. All applicants receive feedback, and Switch Up directs unsuccessful applicants to resources that will help them to fill the gaps in their profile and develop the necessary skills to be successful.

The programme excited participants by what our business and industry has to offer through site tours, networking and a 'Dragon's Den' style idea pitching event. We are a finalist in the 2020 Diversity Awards NZ for this initiative and five of the GirlBoss participants will take part in paid internships with us in FY21.

Within Fletcher Building we have targeted recruitment, training and retention policies for bringing young people into our business, and for supporting our Māori and Pasifika workforce.

We work with the Ministry of Social Development, Work and Income NZ, Te Puni Kokiri, The Southern Initiative, Kiwis Can Do, The Solomon Group, South Pacific Indigenous Engineering Students Network and TupuToa to support career pathways for Māori and Pasifika people.

Our Whakatupu programme has been running for more than five years. This programme was developed with our people and is specifically aimed at providing leadership pathways for our Māori employees and to bring initiatives from the Whakatupu cohorts into our workforce. After completing Whakatupu, 93% of participants we surveyed reported higher engagement at work. Participants also reported improved business skills and a stronger connection to their role in the business.

We provide our people with the opportunity to be nominated for Connect – an award-winning youth focused development and mentoring programme targeted at those new to working or with less than 18 months work experience. The programme is founded on Māori and Pasifika values. While Connect is for all employees, it recognises that Māori and Pasifika people are under-represented in leadership positions and aims to build a pipeline of talent for future promotion.

TupuToa is an innovative internship programme creating pathways for Māori and Pasifika university students into careers in the corporate and professional sectors. We are proud to be a principal sponsor of the programme and this year we supported eight internships and five interns have taken permanent roles in our business.

This year, Fletcher Building also provided 35 additional construction internships and 40 graduate positions in finance, technology, construction and sustainability roles across the business.

We have been a principal sponsor of First Foundation for 20 years. The programme is designed to give young people the opportunity to achieve their dreams, irrespective of socio-economic status, through financial support for education and work experience. Often the students are the first in their family to attend university. We provide scholarships to five students each year. Sponsored students receive \$22,000 over three years towards university costs and take part in five weeks' paid work experience per annum to develop skills and people networks.



We are proud to have maintained our Rainbow Tick certification. This year we supported Pride events in Auckland, Wellington and Queenstown and expanded our Pride network to our Australian businesses. We also adjusted our HR systems to include a wider range of gender and pronoun options.

Employees in New Zealand, Australia and the South Pacific Islands have access to financial support through the Fletcher Building Employee Educational Fund (EEF). Between 1 April 2019 and 31 March 2020, the EEF assisted 644 employees and dependants with further education and tuition, and a further 182 dependants with development initiatives, such as Spirit of Adventure and Outward Bound adventures. Support totalled over \$5.8 million. Employees in New Zealand can also access the Fletcher Building Employee Welfare Fund (EWF) which supports our people in the event of death, disability or financial hardship resulting from unexpected medical events. This year, hardship applications relating to COVID-19 were also considered. In total, the fund supported our people to a total of more than \$352,000 between 1 April 2019 and 31 March 2020 and a further \$152,000 in response to COVID-19 hardship situations. The EWF also provided \$446,500 to support Employee Assistance Programme services and Health and Wellbeing initiatives for employees. Both the EEF and EWF are independent entities of Fletcher Building. We sincerely thank both the EEF and EWF for their generosity and support which make a substantial difference to our people.

In FY20, over

10,250

of our people took part in around

75,800

hours of learning

7.4

hours of training per person

## Supporting our people's health & wellbeing during COVID-19



Case Study

The past year brought us a new common challenge in health and wellbeing: COVID-19. Our people responded quickly, restricting travel and large gatherings by early March, and implementing self-managed isolation protocols for returning travellers and individuals potentially exposed to the virus.

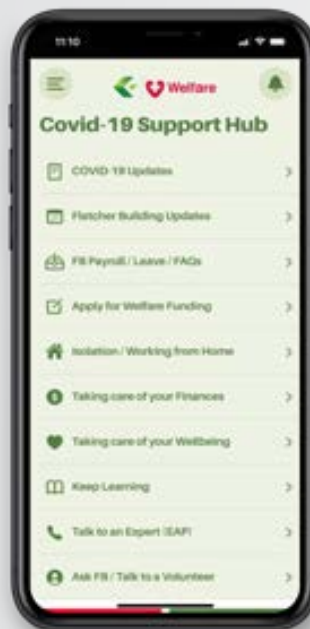
A critical risk approach was taken, with all businesses implementing mandatory controls and routinely evaluating their implementation and effectiveness. We achieved 99% verification that all businesses and sites had the required controls in place which included contact tracing, provision for distancing, robust cleaning and hygiene practices and educational systems. In addition, we monitored and supported over 400 of our people who had potential exposures and possible symptoms from March through to June 2020 and continue to mitigate our risk in line with Government recommendations.

We were also acutely aware of the effects of the New Zealand lockdown and economic uncertainty in New Zealand and Australia from COVID-19 on mental health and wellbeing.

In response, we launched a mobile phone COVID-19 Support Hub app. The Hub app was downloaded by over 7,000 of our people. It proved a valuable communication tool providing an easy place to find business updates, payroll help, financial help, and general wellbeing advice, particularly while New Zealand was in lockdown and workplaces were shut. The Hub app was also used to connect people to government help lines, expert advice or simply a volunteer to talk through what they were experiencing. The

app is generously funded by the Employee Welfare Fund and we plan to adapt it as a one-stop shop for company information and real-time updates for our people.

Alongside this, we provided everyone at Fletcher Building access to former All Black and mental health champion Sir John Kirwan's mental wellbeing app 'Mentemia'.





# 39%

Waste percent  
diverted from landfill

## Careful management of our resources and emissions

As a leading construction, building products manufacturing and distribution business, a key aim of our sustainability strategy is careful management of our resources and emissions.

We understand the urgent need to address carbon emissions, and as part of that commitment we are the first company in our sector in Australasia to publish a Science-Based Target (SBT) for carbon reduction for scope 1 (direct) and scope 2 (indirect) emissions. Our target was independently verified by the SBT Initiative in December 2019. We report our carbon emissions every year to the Carbon Disclosure Project (CDP).

In FY20, scope 1 and scope 2 carbon emissions were 847,643 tCO<sub>2</sub>e and 284,773 tCO<sub>2</sub>e, respectively. The combined total of 1,132,416 tCO<sub>2</sub>e is a reduction of 1.3% from FY19. FY19 emissions were low due to a six-week mill breakdown at Golden Bay Cement, which represents around 50% of Fletcher Building's emissions. In FY20, emissions from our New Zealand businesses were unusually low due to the COVID-19 'Level 4' lockdown and operating restrictions in April and May in other New Zealand

operations. The Australia division, which largely continued operating as normal, had an overall reduction of 2.3% from FY19 largely through site consolidation and energy efficiency.

We assess our Greenhouse Gas emissions using the Greenhouse Gas Protocol Corporate Accounting Standard, in accordance with international best practice. Using this methodology, we estimate that our scope 3 emissions were 848,025 tCO<sub>2</sub>e. These are the emissions associated with the manufacture of materials we have purchased, and services supplied to us. Our FY20 emissions will be externally verified in FY21.

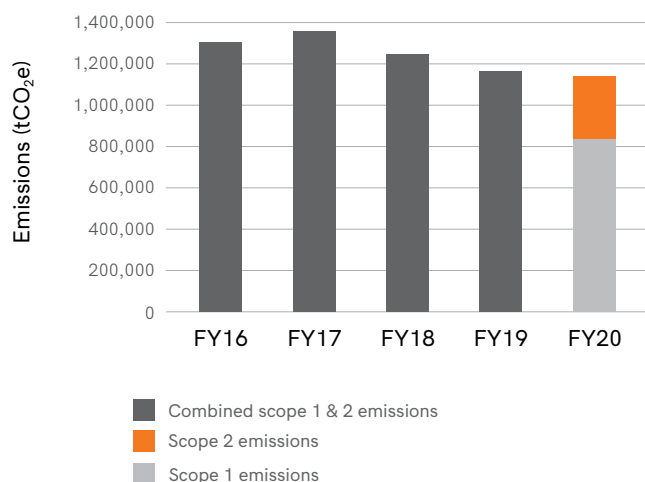
Reducing waste to landfill remains an area of focus, and in particular reducing waste from construction and demolition activities, which is a significant component of landfill waste in both New Zealand and Australia. Reducing the waste we generate and applying 'circular economy' principles to use waste from one industry as a raw material input for another will be key to overall waste reduction.

We put these principles into place in the design of our new Winstone Wallboards plant which is planned to reduce manufacturing waste by 90%. We continue to have zero waste to landfill from our Oliveri business and we worked collaboratively with other New Zealand businesses as part of the XLabs Circular Economy Lab, organised by Auckland Tourism, Events, and Economic Development (ATEED).

At XLabs we focused on taking waste out of the life cycle of medium density fibreboard (MDF). MDF is strong, inexpensive material made from waste wood fibre and is commonly used in making kitchen, bathroom and office furniture, but it is not easily reprocessed. We are now pursuing a number of options with our Innovation team.

In FY20 our waste to landfill was 26,442t and diversion from landfill was 16,787t. This equates to 39% diversion from landfill which exceeds our target of 30%. Further waste reduction is a goal for FY21.

Combined scope 1 and 2 carbon emissions



\*Figures exclude International Division.



## Our response to water and fire crises in Australia and New Zealand

We responded to the devastating impact of bushfires in Australia with direct donations exceeding \$280,000 to the Rural Fire Service (NSW), Country Fire Authority (VIC), Red Cross (NSW Bushfire Appeal) and Salvation Army (Disaster Appeal). We provided paid time off work for our people to volunteer in rural firefighting and other emergency crews to help their communities in affected areas. In addition staff at our Rocla Wodonga site worked over the Christmas break to supply power poles to reconnect electricity to several communities across New South Wales and Victoria.

In Auckland, we implemented water saving measures in response to severe drought conditions in summer 2019-2020. Fletcher Construction's Infrastructure and Higgins teams have installed rainwater capture and collection systems and the Pipeworks team are now using UV light instead of hot water to cure pipes, saving an estimated 160,000L of water for one pipeline installed as part of a major transport project. A number of our businesses including Tasman Insulation and Winstone Wallboards already use bore water, and we are exploring how we can supply any excess non-potable water we have to others.

Fletcher Living and Winstone Aggregates have been working with Auckland's Watercare to supply non-potable groundwater from Three Kings quarry to construction businesses, sites and projects around Auckland.

Fletcher Living and Winstone Aggregates have been working with Auckland's Watercare to supply non-potable groundwater from Three Kings quarry to construction businesses, sites and projects around Auckland.

Other steps are being taken to prepare for future droughts and increase water conservation across Fletcher Building including investigation of closed-loop water systems in manufacturing plants and increased rainwater storage across the Group.





## Science-Based Targets

In December 2019, Fletcher Building became the first building materials and construction company in New Zealand and Australia to attain an independently verified Science-Based Target (SBT) for carbon emissions reduction. SBTs are important because they are based on robust climate science, and the strict verification process ensures that the decarbonisation target set by a company is meaningful in a global context. SBTs also drive innovation, increase competitiveness and demonstrate climate leadership.

Fletcher Building's SBT is a public commitment that we will reduce direct and indirect carbon emissions by 30% by 2030, from 2018 as a baseline year. Our target is in line with the Paris Agreement to limit global warming to well below 2°C and ensures Fletcher Building takes responsible action towards its contribution to climate change.

We have developed carbon reduction roadmaps that identify key initiatives over the next 10 years for all business units and are actively tracking progress of each business unit. Some of the first carbon reduction activities are to increase energy efficiency in new facilities through use of renewable energy and by transitioning our vehicle fleet to include more hybrid and electric vehicles. In FY20, there were a number of

In December 2019, Fletcher Building became the first building materials and construction company in New Zealand and Australia to attain an independently verified Science-Based Target (SBT) for carbon emissions reduction.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

significant ongoing projects: alternative fuels and lower carbon materials in cement manufacture at Golden Bay Cement, the design of our new Winstone Wallboards facility which is planned to significantly reduce carbon emissions; and ongoing LED lighting replacement for Tradelink stores which will reduce electricity consumption and associated emissions by more than 40% over the next six years.

## Sustainability



### Published EPDs

09

### EPDs in development

05



# Better products, houses and infrastructure



As part of our aim to be the New Zealand and Australian leader in sustainable building materials, we are increasing the number of products we manufacture that hold Environmental Product Declarations (EPDs) and other sustainability certifications.

EPDs assess the environmental impact of a product across the entire product lifecycle. EPDs provide a verifiable and transparent product assessment against an international standard and empower our customers to make an informed choice about the environmental impact of the products they choose. We have nine EPDs already published in Australia and New Zealand and five more underway. You will find these green products in our Fletcher Living homes.

A number of our products also hold other sustainability certifications such as Declare labels and Environmental Choice certifications that are recognised within green building standards

including Green Star and Homestar. Our environmental certifications are disclosed on our businesses' websites.

We are active members of sustainable construction organisations including the Sustainable Business Council, the Sustainable Business Network, the New Zealand Green Building Council and the Infrastructure Sustainability Council Australasia. We have been working closely with these industry bodies and Government to embed more sustainable methods into construction as part of post COVID-19 recovery packages for the construction industry.



With the EPD, we are able to demonstrate that Golden Bay Cement has significantly lower carbon emissions than our competitors.

– Simon Harper.

## Greener materials for homes and infrastructure

Golden Bay Cement's Eversure™ and Everfast™ cements and Winstone Wallboards' plasterboards GIB® were three of our earliest products to have their full environmental impact assessed.

All hold Declare labels, Environmental Choice New Zealand, Good Environmental Choice Australia (GECA) or Global GreenTag certification, and an EPD.

Declare labels are part of one of the world's most stringent sustainable building certification programmes, the Living Building Challenge. A Declare label shows, in a simple and transparent way, several product properties including where the product is made, its end-of-life options, and the list of ingredients used to make it. The label also shows whether the product is "Red List Free", meaning that it does not contain chemical substances known to be harmful to the environment or to the people using them.

Environmental Choice New Zealand and Global GreenTag are independently-run ecolabels identifying the most environmentally friendly products, and are recognised within both the New Zealand and Australian Green Building Council's rating system.

The latest addition to the certification for Golden Bay Cement is the EPD. Simon Harper, National Sales and Marketing Manager said: "With the EPD, we are able to demonstrate that Golden Bay Cement has significantly lower carbon emissions than our competitors when measured against the same criteria. This transparency now allows the industry to be confident that cement from Golden Bay Cement is utilised on their project that it results in the lowest carbon concrete available".

Winstone Wallboards has held an EPD for GIB® plasterboard for several years and used its existing EPD as a robust baseline to design improvements for its new Tauranga production facility that will further reduce the environmental impact of its products.



# Performance



Fletcher Living Waiata Shores



# Group Performance

Reported results	Year ended June 2020 NZ\$M	Year ended June 2019 NZ\$M	Change %
<b>Total revenue</b>	<b>7,309</b>	<b>8,308</b>	<b>(12%)</b>
<b>EBIT before significant items <sup>(1)</sup></b>	<b>160</b>	<b>549</b>	<b>(71%)</b>
Significant items <sup>(2)</sup>	(276)	(94)	(194%)
<b>EBIT</b>	<b>(116)</b>	<b>455</b>	<b>(125%)</b>
Lease interest expense	(69)	-	NM
Funding costs	(80)	(116)	31%
<b>Earnings/(loss) before tax</b>	<b>(265)</b>	<b>339</b>	<b>(178%)</b>
Tax (expense)/benefit	81	(80)	201%
<b>Earnings/(loss) after tax</b>	<b>(184)</b>	<b>259</b>	<b>(171%)</b>
Non-controlling interests	(12)	(13)	8%
<b>Net earnings/(loss)</b>	<b>(196)</b>	<b>246</b>	<b>(180%)</b>
<b>Basic earnings per share (cents)</b>	<b>(23.5)</b>	<b>28.8</b>	<b>NM</b>
<b>Basic earnings per share before significant items (cents)</b>	<b>0.4</b>	<b>36.7</b>	<b>NM</b>
<b>Dividends declared per share (cents)</b>	<b>-</b>	<b>23</b>	<b>NM</b>
<b>Cash flows from operating activities <sup>(3)</sup></b>	<b>410</b>	<b>153</b>	<b>168%</b>
<b>Capital expenditure</b>	<b>232</b>	<b>285</b>	<b>(19%)</b>

Revenue	Year ended June 2020 NZ\$M	Year ended June 2019 NZ\$M	Change %
Building Products	1,173	1,314	(11%)
Distribution	1,471	1,596	(8%)
Concrete	740	802	(8%)
Residential and Development	466	639	(27%)
Construction	1,318	1,702	(23%)
Australia	2,802	3,024	(7%)
Other	10	11	(9%)
<b>Continuing operations</b>	<b>7,980</b>	<b>9,088</b>	<b>(12%)</b>
Less: intercompany revenue	(671)	(780)	(14%)
<b>Group external revenue</b>	<b>7,309</b>	<b>8,308</b>	<b>(12%)</b>

<sup>(1)</sup> Measures before significant items are non-GAAP measures used by management to assess the performance of the Group and has been derived from Fletcher Building Limited's financial statements for the year ended 30 June 2020.

<sup>(2)</sup> Significant items relate principally to restructuring charges recognised. Further details of significant items can be found in note 2 of the financial statements.

<sup>(3)</sup> The 2019 number includes discontinued operations which were divested during the year.



### Building Products

EBIT\* 2020

**\$87m**

EBIT 2019 \$167m ⬇️ (48%)



### Distribution

EBIT\* 2020

**\$85m**

EBIT\* 2019 \$115m ⬇️ (26%)



### Concrete

EBIT\* 2020

**\$74m**

EBIT\* 2019 \$89m ⬇️ (17%)



### Residential and Development

EBIT\* 2020

**\$65m**

EBIT\* 2019 \$137m ⬇️ (53%)



### Construction

EBIT\* 2020

**(\$147m)**

EBIT\* 2019 \$51m ⬇️ (388%)



### Australia

EBIT\* 2020

**\$33m**

EBIT\* 2019 \$77m ⬇️ (57%)

\* Before significant items.

	EBIT			EBIT before significant items <sup>(1)</sup>			
	Reported Year ended June 2020 NZ\$m	Reported Year ended June 2019 NZ\$m	Change %	Reported Year ended June 2020 NZ\$m	Pro forma Year ended June 2019 NZ\$m	Reported Year ended June 2019 NZ\$m	20R vs 19P Change %
Building Products	68	150	(55%)	87	167	160	(48%)
Distribution	67	104	(36%)	85	115	104	(26%)
Concrete	61	84	(27%)	74	89	84	(17%)
Residential and Development	64	137	(53%)	65	137	137	(53%)
Construction	(160)	47	NM	(147)	51	47	NM
Australia	(133)	(21)	NM	33	77	57	(57%)
Corporate	(83)	(46)	(80%)	(37)	(38)	(40)	3%
<b>Continuing operations</b>	<b>(116)</b>	<b>455</b>	<b>(125%)</b>	<b>160</b>	<b>598</b>	<b>549</b>	<b>(73%)</b>
Divested businesses	-	(58)	(100%)	-	82	82	(100%)
<b>Total</b>	<b>(116)</b>	<b>397</b>	<b>(129%)</b>	<b>160</b>	<b>680</b>	<b>631</b>	<b>(76%)</b>
Lease interest expense	(69)	-	NM	(69)	(64)	-	NM
Funding costs	(80)	(118)	32%	(80)	(118)	(118)	32%
<b>Earnings before tax</b>	<b>(265)</b>	<b>279</b>	<b>(195%)</b>	<b>11</b>	<b>498</b>	<b>513</b>	<b>(98%)</b>
Tax benefit/(expense)	81	(102)	179%	4	(133)	(133)	103%
<b>Earnings after tax</b>	<b>(184)</b>	<b>177</b>	<b>(204%)</b>	<b>15</b>	<b>365</b>	<b>380</b>	<b>(96%)</b>
Non-controlling interests	(12)	(13)	8%	(12)	(13)	(13)	8%
<b>Net earnings</b>	<b>(196)</b>	<b>164</b>	<b>(220%)</b>	<b>3</b>	<b>352</b>	<b>367</b>	<b>(99%)</b>

<sup>(1)</sup> Measures before significant items are non-GAAP measures used by management to assess the performance of the Group and has been derived from Fletcher Building Limited's financial statements for the year ended 30 June 2020.

# Group Overview

The key feature of the Group's FY20 result was the significant impact of the COVID-19 pandemic in the latter part of the financial year. Trading levels, operating productivities and earnings were materially affected across the Group from March to June as governments put in place measures to contain the spread of the virus. Positively, cash flows were well-managed and strong through this period, and as a result the Group has maintained a strong balance sheet and liquidity position at year-end.

In FY20 the Group reported external revenue from continuing operations of \$7,309 million, compared to \$8,308 million in the prior year. EBIT before significant items from continuing operations was \$160 million, compared to \$549 million reported in the prior year. Group net earnings from continuing operations were a loss of \$196 million, compared to a profit of \$246 million reported in the prior year. Cash flows from operating activities were \$410 million, compared to \$153 million in the prior year.

Prior to March, the Group had traded largely in line with expectations, with good performances in several businesses (especially Concrete, core Building Products, Residential & Development, and Laminex Australia) offset by weakness in Steel and in the pipes businesses in both New Zealand and Australia.

In New Zealand, a 'Level 4' lockdown to control COVID-19 required the Group to close almost all of its local operations from 25 March to 28 April. The Group moved rapidly to reduce costs and preserve cash flow and balance sheet strength, with measures including: reducing Board and executive remuneration; cutting non-essential spend in areas such as travel and marketing; establishing a 3-month 'Bridging Pay Programme' for employees, supported by the government wage subsidy; daily monitoring of cash collections; reducing FY20 capital expenditure by approximately \$70 million; and deferring some residential land purchases. With almost no revenue, the cost control measures enabled the Group to reduce its loss in New Zealand in April from an ordinary monthly cost run-rate of approximately \$100 million to an unaudited EBIT loss before significant items of \$55 million.

As COVID-19 restrictions eased through May and June, the New Zealand businesses experienced a gradual ramp-up of operations and mixed levels of trading activity, with revenue generally between 80% and 100% of pre-COVID-19 expectations. Those core businesses exposed to the residential finishing trades generally performed better in the ramp-up period than those focused on earlier stage civil and infrastructure work. Residential house sales were strong through May and June, though with settlement dates generally scheduled for FY21. Productivity on construction projects were adversely impacted, especially on commercial sites, due to social distancing health measures.

In Australia, while there was no hard lockdown, activity levels were also impacted by government-imposed measures to contain the spread of the virus. This resulted in revenue at around 90% of pre-COVID-19 expectations through 4Q20, which adversely impacted productivity and together with additional costs impacted margins across the division's manufacturing and distribution operations.

Overall, the reduced trading levels and lower productivity resulting from the pandemic restrictions had an adverse impact of approximately \$200 million on EBIT before significant items.

In addition to this, the FY20 result was impacted by a \$150 million increase in provisions on the historical construction projects. Three factors led to the increased provisions. Around 50% was due to reduced productivities on key legacy projects, which were significantly disrupted by COVID-19 in FY20, and with ongoing challenges expected in FY21 across supply chains and project resourcing. Around 20% of the additional provisions was due to issues which have arisen on a small number of historically completed projects. The final 30% consists of a prudent risk provision across the portfolio of legacy work.

While this additional provisioning is disappointing, the division continues to make progress in its reset. The costs to complete the legacy project work across the Buildings and Infrastructure businesses has reduced from approximately \$2.2 billion in February 2018 to approximately \$600 million currently, and the division's forward order book has been rebuilt to comprised \$2.4 billion of new work with a materially better margin outlook and significantly lower and more appropriate risk profile.

In response to an expected market downturn arising from the COVID-19 pandemic, the Group moved to decisively reset its cost base in FY20. This included a reduction in its operational footprint, including the exit of some offices, warehouses, and manufacturing sites, and ceasing some unprofitable product lines. Regrettably, an expectation of lower market activity also resulted in a reduction of Group headcount by around 1,500 roles. This, together with the completion of the Australia 'P100' cost-out programme, significant manufacturing site closures associated with the disposal of the Rocla business, and make whole costs from the early repayment of USPP notes has resulted in total restructuring costs for the Group (recognised as significant items) in FY20 of \$276 million.

The Group's funding costs for the year decreased by 32% to \$80 million, resulting principally from lower debt levels following \$650 million of debt repayments since June 2018. A tax benefit of \$81 million in FY20 compared to a tax expense of \$102 million in the prior year.

Basic earnings per share from continuing operations were (23.5) cents in FY20, compared to 28.8 cents in the prior year. Adjusting for the impact of significant items, earnings per share from continuing operations were 0.4 cents, compared with 36.7 cents in the prior year.

## GROUP CASH FLOWS

Cash flows from operating activities were \$410 million, compared to \$153 million in the prior year. The cash flow result was achieved despite a material reduction in earnings as a result of COVID-19. This reflects the Group's ongoing focus on working capital efficiency as well as the specific cash preservation measures undertaken through the final quarter of the year. Close management of customer collections resulted in a \$95 million inflow from receivables for the year, partly offset by a \$67 million reduction in creditors positions.

In Construction, the ongoing cost of completing the legacy Buildings projects resulted in trading cash outflows of \$213 million in FY20 compared to outflows of \$257 million in the prior year.

Capital expenditure cash flows from continuing operations were \$240 million in FY20, compared with \$285 million in the prior year. The lower level in FY20 reflects a decision to reduce capital expenditure in the fourth quarter of the year by \$70 million relative to pre-COVID-19 expectations. The Group's focus on cash and balance sheet also resulted in a reduction of residential land purchases relative to pre-COVID-19 expectations.

## FUNDING

Total available funding as at 30 June 2020 was \$2,126 million. Of this, \$525 million was undrawn and there was an additional \$1,104 million of cash on hand, meaning total liquidity for the Group at 30 June 2020 was \$1,629 million.

On 30 June 2020, the Group announced its intention to make an early repayment of US\$200 million and AU\$99 million of USPP notes. The repayment was on 29 July 2020 from the Group's cash reserves and reflected a decision to retire the Group's most expensive source of debt. Repayment of the notes will reduce the Group's funding costs by \$17 million in FY21. After taking account of foreign exchange and interest rate derivatives held in respect of these notes, the repayment amount made was \$350 million. Adjusting for this prepayment, the Group's liquidity at 30 June 2020 would have been \$1.3 billion.

The Group's gearing at 30 June 2020 was 12.3% compared with 7.2% at 30 June 2019.

The Group's leverage ratio (net debt / EBITDA) at 30 June 2020 was 0.9 times compared with 0.4 times at 30 June 2019.

The average maturity of the Group's debt at 30 June 2020 is 4 years (excluding the USPP notes prepaid on 29 July 2020) and the hedged currency split is 36% Australian dollar; 63% New Zealand dollar; and 1% spread over various other currencies.

Approximately 46% of all borrowings have fixed interest rates with an average duration of 2.2 years. Inclusive of floating rate borrowings, the average interest rate on the debt (based on year-end borrowings) is 3.7%.

## NZ IFRS 16

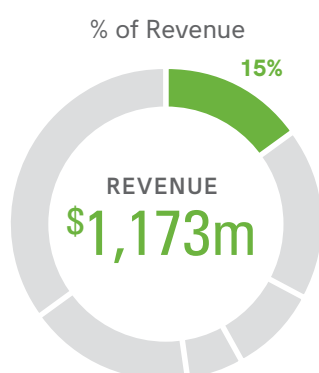
For the year ended 30 June 2020, the Group's financial statements are prepared in accordance with the new lease accounting standard NZ IFRS 16, adopted from 1 July 2019. In prior years, lease costs were fully reported in EBIT. Under NZ IFRS 16, the two components of lease costs are reported separately: (1) the depreciation of right-of-use assets is reported in EBIT and (2) the deemed interest portion of the lease liability is reported in lease interest expense. The pro forma effect of NZ IFRS 16 in the prior year was a \$49 million favourable impact on EBIT and a \$15 million adverse impact on net earnings. Financial tables in this Annual Report (where indicated) show both the reported result for the prior year, as well as a pro forma restatement of the prior year to illustrate the impact of NZ IFRS 16 had it been applied and to allow for a like-for-like comparison. Commentary on the divisional operating performance compares principally with the pro forma results for the prior year.

## OUTLOOK

The Group has undertaken a thorough cost reset process to prepare for an expected market downturn of c25% in New Zealand and c20% in Australia. The first half of FY21 is expected to be stronger than the second half of the year, as the economic impact of the COVID-19 pandemic flows through to activity levels. However, the outlook is uncertain, and the Group will remain vigilant to macro factors and movements in forecasts. The Group has a strong balance sheet and is well-positioned to implement its strategy with the ability to react to market activity as needed.

## Divisional Review

- > Winstone Wallboards
- > Laminex New Zealand
- > Tasman Insulation
- > Iplex New Zealand
- > Humes
- > Fletcher Steel
- > Altus JV



Laminex  
NEW ZEALAND



easysteel



Dimond Structural



Fletcher  
Wire products



# Building Products

The Building Products division reported gross revenue of \$1,173 million, which was 11% lower than the prior year. EBIT before significant items was \$87 million, compared to \$167 million in the prior year.

Prior to March, the businesses primarily selling into residential finishing trades (Winstone Wallboards, Tasman Insulation, Laminex) were trading at or near record volumes, and delivering year-on-year margin improvements. The Steel and Pipes businesses had experienced softer volumes, driven by subdued infrastructure sector activity combined with aggressive competition in key product categories. Margins in the Steel business were further impacted by significant inventory devaluations due to declining global steel prices.

The Building Products businesses almost entirely ceased operations during the COVID-19 'Level 4' lockdown, resulting in a \$22 million loss in April. In May and June, volumes returned strongly in the residential finishing trades, driven by pent up demand from work ceased during the lockdown, while volumes in other segments settled at around 80% of pre-COVID-19 Levels.

The division recognised \$19 million in significant items in the year, reflecting headcount reductions and rationalisation of certain sites and product lines to prepare for an expected lower level of market activity.

Trading cash flow for the division of \$125 million was \$32 million lower than the prior year.

Capital expenditure in the year was \$53 million, in line with the prior year spend of \$55 million. \$22 million of the FY20 spend related to the initial investment in the new Wallboards plant in Tauranga.

## Future Focus

The division's focus continues to be in four key areas: product innovation and adjacencies; improvements in customer experience; operating efficiencies and enhanced pricing disciplines.

The division has continued to invest in ensuring its manufacturing facilities are the most efficient in market, including material investments in the first phase of the new Wallboards facility and the commissioning of a HDPE mobile extrusion pipe plant in Iplex. Expanded product ranges were introduced in Pipes, Easysteel and Laminex, and Dimond launched an innovative mobile roll-to-roof system. New products introduced in prior years continue to deliver growth, with GIB Weatherline, GIB Barrierline, PVC-O, and Tasman Insulation's building wraps range all trending well.

Several digital initiatives have been launched to improve efficiency and customer experience, notably in Winstone Wallboards and Laminex, while Tasman Insulation continues to introduce new channels to market. The division's pricing capability and discipline continues to improve, with the Pipes and Steel businesses exiting FY20 with stronger margins as a result of initiatives to address areas of price leakage.



## Building Products Financial Summary

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Gross revenue	1,173	1,314	1,314	(11%)
External revenue	922	1,013	1,013	(9%)
EBIT before significant items <sup>(2)</sup>	87	167	160	(48%)
Significant items <sup>(3)</sup>	(19)	(10)	(10)	(90%)
Funds	678	692	723	(2%)
Trading cash flow	125	157	157	(20%)
Capital expenditure	53	55	55	4%

## Building Products EBIT before significant items<sup>(2)</sup>

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Building Products	101	132	127	(23%)
Steel	(14)	35	33	(140%)
<b>Total</b>	<b>87</b>	<b>167</b>	<b>160</b>	<b>(48%)</b>

<sup>(1)</sup> The pro forma figures for the year ended 30 June 2019 have been restated for comparative purposes to include the impact from NZ IFRS 16.

<sup>(2)</sup> 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 financial statements for the period ended 30 June 2020.

<sup>(3)</sup> Details of significant items can be found in note 2 of the financial statements.

## Divisional Review

- > PlaceMakers
- > Mico
- > Forman Building Systems

# Distribution

The Distribution division reported gross revenue of \$1,471 million, which was 8% lower than the prior year. EBIT before significant items was \$85 million, compared to \$115 million in the prior year.

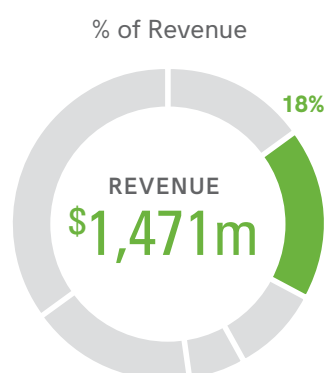
Prior to March, the division was delivering revenue growth of 2% above the prior year. Gross margins were steady despite continued competitive intensity especially in large commercial projects. PlaceMakers was growing in all geographical segments, except for the Lower South Island. Mico experienced growth across their three key customer segments; Commercial, Group Home Builders and SME.

Both the Mico and PlaceMakers businesses were deemed essential services during the COVID-19 'Level 4' lockdown with the businesses selecting branches in larger centres or those servicing essential projects to remain open at significantly reduced capacity. Trading volumes were limited with April revenue down 86% on the prior year, resulting in an \$11 million loss in April. In May and June, the businesses experienced mixed volumes, with declines in the Auckland and Christchurch regions while other regions were steady on the prior year.

The division recognised \$18 million in significant items relating to redundancies, the closure of the PlaceMakers Antigua Street (Christchurch) and Helensville (Auckland) sites and associated fixed asset impairments. Prior to March, the businesses had begun a workforce optimisation initiative that was accelerated in May and June to ensure staffing levels in the branch network and support offices were both efficient and sized for expected future market conditions.

Trading cash flows for the division was \$117 million, \$19 million up on the prior year. This was the result of reduced working capital, with tight management of both inventory and debtors throughout the year.

Capital expenditure in the year was \$21 million, compared to \$23 million in the prior year, with investment centred on property upgrades and digital innovation.



## Future Focus

Ensuring competitive customer offerings, ease of doing business and market leading service remain core to the division's strategy.

PlaceMakers released its Trade App in April, allowing customers greater flexibility in how they choose to interact with PlaceMakers, including the ability to order product on line, through click and collect and select enhanced delivery options. Further development of our digital capability remains a key priority with further e-commerce offerings, including the trade portal and refreshed consumer e-commerce platform, to be launched in FY21.

PlaceMakers have also begun grouping branches into regional hubs, with these structures now in place in mid Canterbury, Christchurch, Nelson-Marlborough and North Auckland. Hubs will provide greater consistency for customers who transact with multiple branches and enable efficient delivery via a combination of centralised distribution centres and branch deliveries.





## Distribution Financial Summary

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Gross revenue	1,471	1,596	1,596	(8%)
External revenue	1,440	1,552	1,552	(7%)
EBIT before significant items <sup>(2)</sup>	85	115	104	(26%)
Significant items <sup>(3)</sup>	(18)	-	-	NM
Funds	209	251	300	(17%)
Trading cash flow	117	98	98	19%
Capital expenditure	21	23	23	9%

<sup>(1)</sup> The pro forma figures for the year ended 30 June 2019 have been restated for comparative purposes to include the impact from NZ IFRS 16.

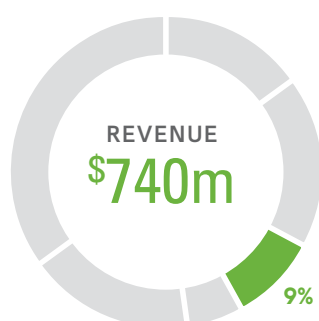
<sup>(2)</sup> EBIT before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's financial statements for the period ended 30 June 2020.

<sup>(3)</sup> Details of significant items can be found in note 2 of the financial statements.

## Divisional Review

- > Winstone Aggregates
- > Golden Bay Cement
- > Firth Industries

% of Revenue



# Concrete

The Concrete division reported gross revenue of \$740 million, 8% lower than the prior year. EBIT before significant items was \$74 million, a decrease of \$15 million or 17% compared to the prior year.

Prior to March the division was tracking strongly with revenue growth of 2% and earnings in all businesses tracking ahead of the prior year. Firth saw a strong lift in sales price, combined with a gain in market share. In Golden Bay Cement, domestic cement volumes lifted following the exit of a competitor from the imported cement market. Winstone Aggregates earnings were up year on year due to strong price increases and a favourable shift in product mix. The Tamahere quarry purchased in March 2019 completed its first full year of operations under our ownership with a strong EBIT return.

The Concrete businesses ceased operations during COVID-19 'Level 4' lockdown. This resulted in lower earnings in March and a \$13 million loss in April. The division experienced a strong recovery of activity in May and June across all segments and products, with revenue up 2% on the prior year.

The division recognised \$13 million of significant items reflecting headcount and property rationalisation decisions in line with our expectations of lower future business volumes. These initiatives include a refinement of our quarry network and the right-sizing our ready-mix network.

Trading cash flow for the division was \$100 million, compared with \$136 million in the prior year, reflective of lower earnings during the final part of the financial year, while working capital management remained solid.

Capital expenditure for the division was \$50 million. Investment in the year included further quarry resource development to meet forecast demand, additional heavy mobile equipment for both quarries and the cement operation, while Firth continued its programme of ready-mix truck and plant replacement.

## Future Focus

The division's strategic focus continues to be on projects that support long-term capability, reduce carbon emissions, improve customer service experience – especially through digital connectivity – and ensure cost competitive manufacturing and supply chain positions.

Firth is now progressing with a digital channel to market and we expect initial implementation in FY21. Masonry will further rationalise its manufacturing network to drive efficiencies in line with plans already in progress. Product development continues in masonry with new sized paving options and more environmentally friendly honed surface finishes.

Golden Bay Cement's major cost reduction initiative - the Tyre Derived Fuel initiative - a project in conjunction with Ministry for the Environment, enabling energy cost improvements and reduction in carbon emissions will complete the construction phase in January 2021 with the first tyre derived fuel to be generated in February 2021. The business continues to work on the development of a low carbon and sustainable cementitious material which will reduce the carbon footprint for Concrete.



## Concrete Financial Summary

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Gross revenue	740	802	802	(8%)
External revenue	503	549	549	(8%)
EBIT before significant items <sup>(2)</sup>	74	89	84	(17%)
Significant items <sup>(3)</sup>	(13)	-	-	NM
Funds	607	646	656	(6%)
Trading cash flow	100	136	136	(26%)
Capital expenditure	50	65	65	23%

<sup>(1)</sup> The pro forma figures for the year ended 30 June 2019 have been restated for comparative purposes to include the impact from NZ IFRS 16.

<sup>(2)</sup> 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 financial statements for the period ended 30 June 2020.

<sup>(3)</sup> Details of significant items can be found in note 2 of the financial statements.



## Divisional Review

- > Residential
- > Land Development
- > Clever Core

# Residential and Development

% of Revenue



Fletcher Living



The Residential and Development division reported revenue of \$466 million, which was 27% lower than the prior year. EBIT before significant items were \$65 million, compared to \$137 million in the prior year. The decline in both revenue and EBIT was largely due to a reduction in houses sold and less properties taken to profit in the Development business.

The Residential business experienced a mixed market throughout FY20. Activity was slow during the first quarter of the financial year, but from mid-October until mid-March there was a notable increase in sales demand and firmer pricing in both the Auckland and Christchurch markets.

The Development business completed the first of two transactions on the former Crane Copper Tube site in Sydney contributing EBIT of \$12 million, with the second site transaction being delayed until 1H21.

Clever Core, the division's new panelisation business, officially opened in October 2019. The plant has produced 40 panelised houses for Fletcher Living's developments in Auckland. The production and installation rate of panels achieved late in the year are trending well for the future success of this business.

From March until early May, house sales were negatively impacted by the COVID-19 'Level 4' lockdown. The absence of sales during these important sales months, as well as delays in the completion of houses, led to 666 units being taken to profit in FY20 compared to 755 units in the prior year.

May and June house sales activity was strong, although most of these sales will settle in the new financial year. The demand for Auckland houses in the \$600k – \$900k price range remains especially strong, reflecting interest from both first-time buyers and investors.

Trading cash flow for the division was \$118 million compared to \$95 million in the prior year. Cash flow in the current year included a \$50 million receipt related to the Wiri land development sale that was completed in FY19, and which offset the lower FY20 earnings.

Funds employed reduced from \$651 million at 30 June 2019 to \$604 million, mainly due to the Wiri settlement. Land stocks in the division has remained constant, with a total of 2,596 lots (either finished sections or development land) held on balance sheet at the end of FY20. The business has a further 1,323 residential lots under unconditional purchase agreements to be delivered over the next four years.

## Future Focus

We continue to focus on delivering houses at mid-market price points in Auckland across a range of developments and have a commitment to continuing to broaden the types of homes offered, including more apartments. In Christchurch the near-term focus is increasingly on the One Central development and supplementing it with opportunities in growth corridors.

Clever Core will increase the volume of houses it supplies into Fletcher Living and look to commence sales to external customers in FY21.

The Development business has a good pipeline of Fletcher Group land available for industrial development that has arisen from recent restructuring decisions, including the divestment of the Rocla business in Australia.



## Residential and Development Financial Summary

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Gross revenue	466	639	639	(27%)
External revenue	460	639	639	(28%)
EBIT before significant items <sup>(2)</sup>	65	137	137	(53%)
Significant items <sup>(3)</sup>	(1)	-	-	NM
Funds	604	651	651	(7%)
Trading cash flow	118	95	95	24%
Capital expenditure	3	7	7	57%

## Residential and Development EBIT

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Residential	63	84	84	(25%)
Land Development	6	56	56	(89%)
Clever Core	(4)	(3)	(3)	(33%)
<b>Total</b>	<b>65</b>	<b>137</b>	<b>137</b>	<b>(53%)</b>

<sup>(1)</sup> The pro forma figures for the year ended 30 June 2019 have been restated for comparative purposes to include the impact from NZ IFRS 16.

<sup>(2)</sup> 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 financial statements for the period ended 30 June 2020.

<sup>(3)</sup> Details of significant items can be found in note 2 of the financial statements.



## Divisional Review

- > South Pacific
- > Brian Perry Civil
- > Higgins
- > Buildings
- > Infrastructure

% of Revenue



**Fletcher**

**BPC** BRIAN PERRY CIVIL

**HIGGINS**

# Construction

The Construction division reported gross revenue of \$1,318 million, 23% or \$384 million lower than the prior year. EBIT before significant items of \$(147) million compared to \$51 million in the prior year.

Prior to March, Higgins was trading well with expectations of a strong finish to the year. Brian Perry had a slow start to the year but was benefiting from demand for urgent Watercare work with respect to the Auckland drought and urgent runway work at Auckland Airport. Completion of the legacy Buildings and Infrastructure projects was continuing to expectations and within the provisions set in February 2018. Rebuild work had commenced on the New Zealand International Convention Centre, which was affected by a fire in October 2019, with insurance responding to loss and damage on this project.

The 'Level 4' lockdown significantly impacted all of the division's businesses as paving, civil and building works ceased. This included the Commercial Bay project in downtown Auckland, which was within days of meeting agreed opening dates on the retail and office precincts. COVID-19 also resulted in the cancellation of Auckland Airport's Domestic Jet Facility project, where Fletcher Construction had been part of a successful joint venture bid. Construction activities resumed under 'Level 3' in late April, however productivities were impacted by a gradual ramp-up in site work as well as social distancing protocols, especially on commercial building sites.

Through the year-end review process, it was decided to increase provisions to complete the historical construction projects by \$150 million. Three factors led to the increased provisions. Around 50% was due to reduced productivities on key legacy projects, which were significantly disrupted by COVID-19 in FY20, and with ongoing challenges expected in FY21 across supply chains and project resourcing. Around 20% of the additional provisions was due to issues which have arisen on a small number of historically completed projects. The final 30% consists of a prudent risk provision across the portfolio of legacy work.

While this additional provisioning is disappointing, the division continues to make progress in its reset. In February 2018, the division had work to complete of approximately \$2.2 billion for major projects across the Buildings and Infrastructure businesses, almost all of which comprised large, higher-risk, fixed price projects. Currently, approximately \$600 million of this work remains to be completed. Over this period, the division has also rebuilt its forward order book to comprise \$2.4 billion of new work with a materially better margin outlook and lower and more appropriate risk profile. This order book includes primarily: smaller, self-perform work in Higgins and Brian Perry; national and local maintenance contracts; a strong pipeline of road pavement work; and the 10-year Watercare Enterprise Framework Agreement, providing an estimated \$1.3 billion backlog of work for Brian Perry and Infrastructure over 10 years.

In FY20, the division recognised \$13 million of significant items, consisting mainly of redundancy and property rationalisation costs.

Trading cash flow for the division was an outflow of \$148 million in FY20, compared to an outflow of \$210 million in the prior year. Cash outflows for the Buildings and Infrastructure legacy work were \$186 million, compared to \$270 million in the prior year. Excluding the legacy work, trading cash for the division was an inflow of \$38 million, compared to an inflow of \$60 million the prior year, with Higgins performing strongly.

The division invested \$32 million in capital expenditure in FY20. Consistent with the prior year, the focus of investment continues to be in the manufacture and supply of bituminous products in Higgins and in plant for foundations in Brian Perry Civil.

## Future Focus

The priorities will continue to be to complete the remaining legacy projects within provisions, leverage a strengthened set of project and risk management capabilities in winning and delivering new work effectively, and bring innovative solutions to bear for key customers, with a strengthened leadership team in place.

The division remains well positioned to tender and deliver work in the significant pipeline of Infrastructure work announced by the Government in the transport sector and in the growing remedial and new works in the water sector.



## Construction Financial Summary

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Gross revenue	1,318	1,702	1,702	(23%)
External revenue	1,261	1,622	1,622	(22%)
EBIT before significant items <sup>(2)</sup>	(147)	51	47	(388%)
Significant items <sup>(3)</sup>	(13)	-	-	NM
Funds	50	38	48	32%
Trading cash flow	(148)	(210)	(210)	30%
Capital expenditure	32	31	31	(3%)

## Construction EBIT

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Higgins	14	39	36	(64%)
Infrastructure, South Pacific, Brian Perry Civil & FC Buildings	(94)	12	11	(883%)
<b>Total</b>	<b>(80)</b>	<b>51</b>	<b>47</b>	<b>(257%)</b>
B+I Legacy	(67)			NM
<b>Total</b>	<b>(147)</b>	<b>51</b>	<b>47</b>	<b>(388%)</b>

<sup>(1)</sup> The pro forma figures for the year ended 30 June 2019 have been restated for comparative purposes to include the impact from NZ IFRS 16.

<sup>(2)</sup> 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 financial statements for the period ended 30 June 2020.

<sup>(3)</sup> Details of significant items can be found in note 2 of the financial statements.





## Divisional Review

### Building Products Australia:

- > Laminex Australia
- > Iplex Australia
- > Rocla
- > Fletcher Insulation

### Distribution Australia:

- > Tradelink
- > Oliveri Solutions

### Steel Australia:

- > Stramit

# Australia

The Australian division reported gross revenue of \$2,802 million compared with \$3,024 million in the prior year. EBIT before significant items was \$33 million, compared to \$77 million in the prior year.

The performance in the division was mixed through the year, with most businesses impacted by the sharp decline in the residential market, which saw commencements down approximately 20% on the prior year.

Building Products Australia saw continued strong turnaround momentum in the Laminex and Fletcher Insulation businesses, both of which grew earnings despite subdued market activity. Laminex revenue declined 7%, however EBIT increased by 5% due to market share gains driven by new product ranges, growth in volumes transacted through the business's ecommerce platform, and the benefit of cost-out initiatives. In the Pipelines businesses (Iplex-Rocla), revenue declined due to delays in key infrastructure projects and subdued residential subdivision activity, resulting in a loss of c\$15 million in these businesses. A decision was taken through the year to divest the Rocla business, with completion of this transaction expected in FY21.

Distribution Australia revenue was down 4% while Steel Australia revenue increased 4% with share gains in the distributor and commercial segments. However, both businesses reported reduced earnings, as competitive intensity placed ongoing pressure on price and margin, and Stramit was impacted by lower sales in the shed segment. Tradelink's focus on the small to medium network customer segment (SME) continues to provide increased stability in revenue, despite the residential downturn. Tradelink has largely completed its store footprint expansion, and is now focused on the showroom and branch refurbishment programme. Stable earnings in Oliveri continued in the year as a result of favourable margin mix changes to the bathroom product range.

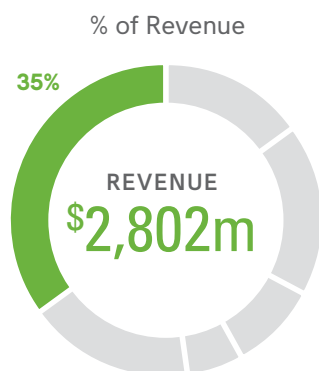
The division recognised a \$166 million charge to significant items during the year, relating to costs associated with the rationalisation of its property footprint and fixed cost base, along with the reduction of headcount.

Capital expenditure in the year was \$65 million, with key investments focused on automation and capability improvements in the manufacturing businesses and system upgrades in the distribution business.

Trading cash flow of \$49 million compared to \$57 million in the prior year, reflecting the cash impact of restructuring costs recognised in FY19. Excluding the cash impact of significant items, FY20 trading cash flow was \$92 million, compared to \$71 million in the prior year, reflecting focused improvements in inventory management and debtor collections.

## Future Focus

With a healthy pipeline of product and service innovation, including through improved digital capabilities. The cost-out programme is now largely complete with focus now on key growth initiatives. Enablers of growth include: new digital offerings through expanded digital presence and platforms, which will build off the success of the Laminex eCommerce platform that has now delivered >\$100 million of online sales in <12 months; acceleration of new product adjacencies, including a focus on architectural offers in Stramit, Design by Tradelink, and compact range enhancements in Laminex; as well as a continuation of customer focus with refined value propositions.



Laminex®

iPlex  
Pipelines

Rocla

Fletcher  
Insulation  
Building Better, Together.

Tradelink®

Oliveri

Stramit  
Constructors of Choice

ACP  
AUSTRALIAN COMPACT RANGE PRODUCTS

## Australia Financial Summary

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Gross revenue	2,802	3,024	3,024	(7%)
External revenue	2,723	2,933	2,933	(7%)
EBIT before significant items (NZ\$m) <sup>(2)</sup>	33	77	57	(57%)
EBIT before significant items (A\$m) <sup>(2)</sup>	31	72	53	(57%)
Significant items <sup>(3)</sup>	(166)	(78)	(78)	(113%)
Funds	1,494	1,602	1,735	(7%)
Trading cash flow	49	57	57	(14%)
Capital expenditure	65	91	91	28%

## Australia EBIT

Year ended 30 June	Reported 2020 NZ\$M	Pro forma 2019 <sup>(1)</sup> NZ\$M	Reported 2019 NZ\$M	20R v 19P Change %
Building Products Australia	26	47	40	(45%)
Distribution Australia	7	15	8	(53%)
Steel Australia	5	16	11	(69%)
Divisional costs	(5)	(1)	(2)	NM
<b>Total</b>	<b>33</b>	<b>77</b>	<b>57</b>	<b>(57%)</b>

<sup>(1)</sup> The pro forma figures for the year ended 30 June 2019 have been restated for comparative purposes to include the impact from NZ IFRS 16.

<sup>(2)</sup> 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 financial statements for the period ended 30 June 2020.

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# Our Board



## BRUCE HASSALL

*BCom, FCA (CAANZ)*

### Chair and Independent Non-Executive Director

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

**Board committees:** Chair of the Nominations Committee and Member of the Remuneration Committee.

Bruce Hassall 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 Prolife Foods Limited and is a director of Bank of New Zealand and 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 2018 annual meeting.

**Board committees:** Member of the Nominations Committee and 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.



## BARBARA CHAPMAN

*CNZM, BCom, CMInstD*

### Independent Non-Executive Director

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

**Board committees:** Chair of the Remuneration Committee and 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, and deputy Chair of The New Zealand Initiative. She is also Chair of the APEC 2021 CEO Summit.



### PETER CROWLEY

*BEcon, BA, FAICD*

#### Independent Non-Executive Director

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

**Board committees:** Member of the Audit and Risk Committee, Member of the Nominations Committee and Member of the Safety, Health, Environment and Sustainability Committee.

Peter Crowley has over 35 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 Ltd, The Riverside Coal Transport Company Pty Ltd and Wesley Medical Research Limited.



### ROB McDONALD

*BCom, FCA*

#### Independent Non-Executive Director

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

**Board committees:** Chair of the Audit and Risk Committee, Member of the Nominations Committee and Member of the Remuneration Committee.

Rob McDonald'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 and is a director of AIA New Zealand Limited and the Chartered Accountants of Australia and New Zealand.



### DOUG MCKAY

*ONZM, BA, AMP (Harvard), CMInstD*

#### Independent Non-Executive Director

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

**Board committees:** Chair of the Safety, Health, Environment and Sustainability Committee, Member of the Audit and Risk Committee and Member of the Nominations Committee.

Doug brings considerable business leadership and commercial experience, as the former CEO of major manufacturing and distribution businesses in New Zealand and Australia, such as Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord and Independent Liquor. He was the inaugural CEO of the amalgamated Auckland Council until the end of 2013. In 2015, Doug was made an Officer of the New Zealand Order of Merit for services to business and local government. Doug is the Chair of Bank of New Zealand and Eden Park Trust Board and is a director of Genesis Energy Limited, IAG New Zealand Limited and National Australia Bank.



### CATHY QUINN

*ONZM, LLB*

#### Independent Non-Executive Director

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

**Board committees:** Member of the Audit and Risk Committee, Member of the Nominations Committee and Member of the Safety, Health, Environment and Sustainability Committee.

Cathy practiced 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 Rangatira Limited and Tourism Holdings Limited, and a Board member of New Zealand Treasury and chairs Fertility Associates Holdings Limited.



# Executive Team



**ROSS TAYLOR**

Chief Executive Officer



**BEVAN MCKENZIE**

Chief Financial Officer



**ANDREW CLARKE**

Group General Counsel and  
Company Secretary



**DANIEL BEECHAM**

Chief Information Officer



**CLAIRE CARROLL**

Chief People and Communications Officer



**WENDI CROFT**

Chief Health and Safety Officer



**STEVE EVANS**

Chief Executive Residential and  
Development



**DEAN FRADGLEY**

Chief Executive Australia



**IAN JONES**

Chief Executive Concrete



**HAMISH MCBEATH**

Chief Executive Building Products



**BRUCE MCEWEN**

Chief Executive Distribution



**PETER REIDY**

Chief Executive Construction

For the full biographies of our Executive Team, please see our [website](#).



# 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 ("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 2020 and was approved by the Board on 18 August 2020.

## 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 written 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 and the Group's expectations on loyalty and conflicts of interest, insider trading, holding of offices in another Company or public office, intellectual property and misconduct.

In addition, the Group has a written Anti-bribery and Corruption Policy, which 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, political and charitable donations and dealings with business partners. All Fletcher Building personnel must adhere strictly to the requirements of this policy.

Fletcher Building has a free phone and online service ("FBuCall") that can be used by any Fletcher Building personnel to report suspected unacceptable, unethical or illegal behaviour in the workplace. This service is operated by external providers, who act as an independent third party to ensure calls are kept anonymous.

Fletcher Building is also committed to 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. In December 2019, the Board adopted a Human Rights Policy, which describes how Fletcher Building will uphold and monitor human rights within its business operations.

The Modern Slavery Act 2018 is an Australian Commonwealth Act which commenced on 1 January 2019. Our updated 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. The first of the annual statements are required to be reported to the Australian Border Force by 31 March 2021. The statements will be published on an online portal controlled by the Australian Border Force.

### SECURITIES TRADING POLICY

The Group has a policy that applies to all directors, employees and contractors of Fletcher Building Limited and its subsidiaries ("Fletcher Building Personnel"), as well as trusts, companies, persons and other entities controlled by Fletcher Building Personnel. Persons also covered by the policy are any secondees, 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 blackout periods to restrict persons covered by the securities trading policy who are likely to have knowledge of, or access to, inside information from trading. This group of personnel must notify the Group 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. Under the Board charter, the Group Secretary is secretary to the Board and accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of 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, ensuring it has the correct balance of skills to optimise the financial performance of the Group and maximise returns to shareholders.

The Board currently comprises seven directors, with a wide range of skills and experience. The qualifications and experience of each of the directors, including length of service, are set out in “Our Board” section on pages 36 and 37.

The factors that the Board will consider in whether a director is ‘independent’ are set out in Appendix A of the Board charter. Any director who has a change in relevant circumstance to any of the factors listed in Appendix A 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 2020 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.

#### DIVERSITY POLICY

Fletcher Building has a Diversity Policy, which is available on the Group's website. The Remuneration Committee reviews progress against diversity initiatives developed by the Group to deliver outcomes against the Policy. Further information on diversity initiatives can be found in “Supporting our People and Communities” section on pages 10 to 13.

The Board is satisfied with the initiatives being implemented by the Group and its performance with respect to the Diversity Policy. The policy does not currently include a requirement for the Board (or a committee) to set measurable objectives for achieving diversity (as is recommended by the NZX Corporate Governance Code), as the Board has considered diversity outcomes can be achieved without measurable objectives. Fletcher Building developed a Diversity and Inclusion strategy during the 2019 calendar year. Implementation of this strategy will include the establishment of targets, reporting and governance. We are currently updating our Diversity Policy as an output of this work and the new policy will be implemented in the 2020 calendar year.

Additionally, as members of the Champions for Change network in New Zealand, Fletcher Building has provided diversity reporting as input into the Champions for Change Annual Diversity Report 2020, providing benchmark against appropriate external comparators as per current policy requirements.











The numbers and proportion of male and female within Fletcher Building as at 30 June 2020 are set out in the table below.





	2020		2019	
	Women	Men	Women	Men
Board of directors	2 (29%)	5 (71%)	2 (25%)	6 (75%)
Executive committee	2 (17%)	10 (83%)	2 (17%)	10 (83%)
Senior management <sup>(1)</sup>	17 (25%)	51 (75%)	16 (25%)	48 (75%)
All employees	21%	79%	20%	80%

<sup>(1)</sup> Senior management for these purposes includes any person 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 in making appointments to the Board. The matrix shows the representation of expertise among the current directors.

Business context	Capability	Key elements	Director expertise
Product and market knowledge	Industry	Construction and infrastructure / Manufacturing and distribution / Land and property development	
		New Zealand / Australia building products sector	
Functional Expertise	Financial expertise	Prior CFO, ARC 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	
	Government, legal, regulatory, governance	Engagement with government stakeholders, legal, policy and regulatory environments, NZX/ASX experience, ESG, Shareholder engagement	
	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 PROFESSIONAL DEVELOPMENT

The Board conducts induction and continuing professional development for directors, which includes visits to Group operations and briefings from key executives and industry experts. Directors are provided with material health and safety information relevant to the business.

The Safety, Health, Environment and Sustainability Committee maintained regular meetings throughout the year and conducted targeted site visits (where COVID-19 travel restrictions permitted) to observe first-hand the business response to critical safety issues.

## BOARD PERFORMANCE

Reviews of the performance of the Board and individual directors are carried out regularly to ensure the Board as a whole and individual directors are performing to a high standard.

The Board carried out a comprehensive review of its performance and of the committees during FY20, with the assistance of an independent consultant Propero Consulting Limited. The collective results of the review were then reported to the Board by the Chair and discussed with directors. The Board is focused on implementing the recommendations that came out of this review in FY21.

### 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, various committees have been set up to enhance the Board’s effectiveness in key areas, while still retaining overall responsibility. As at 30 June 2020 the Board committees were:

- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- Safety, Health, Environment and Sustainability Committee

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 meetings of the Audit and Risk Committee and Remuneration Committee 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	Role	Members as at 30 June 2020
Audit and Risk Committee (ARC)	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)  Peter Crowley  Doug McKay  Cathy Quinn
Nominations Committee	The committee’s role is to identify and recommend individuals to the Board for nomination as members of the Board and its committees and the terms, if any, of such membership.	All non-executive directors are members of the Nominations Committee.  Bruce Hassall (Chair)
Remuneration Committee	The principal role of the committee is to oversee and regulate compensation and organisation matters affecting the Group, including remuneration and benefits, policies, performance and remuneration of the Group’s senior executives, management development and succession planning of the CEO and his direct reports.	Barbara Chapman (Chair)  Bruce Hassall (effective 1 July 2020)  Rob McDonald
Safety, Health, Environment and Sustainability Committee (SHES)	The role of the committee is to assist the Board to provide leadership and policy for SHES management within Fletcher Building. The committee focuses on compliance with legislative and regulatory requirements and the promotion of good SHES governance.	Doug McKay (Chair)  Peter Crowley  Martin Brydon  Cathy Quinn



## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The table below shows directors' attendance at the Board and committee meetings during the year ended 30 June 2020.

	Board	Audit and Risk Committee	Nominations Committee <sup>(1)</sup>	Remuneration Committee	Safety, Health, Environment and Sustainability Committee
<b>Number of meetings held</b>	<b>17</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>4</b>
Bruce Hassall (Chair) <sup>(2)</sup>	17	3	3	5	1
Martin Brydon	17		3		4
Antony Carter <sup>(3)</sup>	5	2	1	2	
Barbara Chapman	17		3	6	
Peter Crowley <sup>(4) / (5)</sup>	15	2	2		2
Rob McDonald <sup>(6)</sup>	17	4	3	4	
Doug McKay	16	4	3		4
Cathy Quinn	16	4	3		4
Steve Vamos <sup>(7)</sup>	8		2	3	

<sup>(1)</sup> All non-executive directors are members of the Nominations Committee.

<sup>(2)</sup> Bruce Hassall attended all committee meetings in an ex officio capacity, excluding his attendance as Chair of the Nominations Committee.

<sup>(3)</sup> Antony Carter retired from the Board on 28 November 2019 following conclusion of the Annual Shareholders' Meeting.

<sup>(4)</sup> Peter Crowley was appointed to the Board on 1 October 2019.

<sup>(5)</sup> Peter Crowley was appointed member of the Audit and Risk Committee and Safety, Health, Environment and Sustainability Committee, each effective 20 December 2019.

<sup>(6)</sup> Rob McDonald was appointed member of the Remuneration Committee effective 20 December 2019.

<sup>(7)</sup> Steve Vamos resigned from the Board effective 30 March 2020.

## TAKEOVER PROTOCOLS

The Board has established detailed protocols that set out the procedure to be followed if there is 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 ensuring that all of our investors have timely access to full and accurate material information about the Group. Our Continuous Disclosure Policy sets out the internal processes designed to ensure that the Group complies 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 Continuous 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).

### SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

The Audit and Risk Committee oversees the accounting and internal control systems, policies and procedures to ensure compliance with the legal requirements, in respect of accounting policies, financial reporting, internal control, external audit and environmental regulation in all jurisdictions in which the Group operates.

# Corporate Governance (Continued)

In addition, prior to approving the full year financial statements, the Board received from the chief financial officer a declaration that, in his opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group and that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

## SUSTAINABILITY

The Sustainability section on pages 8 to 18 discusses non-financial focus areas for our business, including environmental, economic and social matters. The Board and executives recognise that sustainability is critical to Fletcher Building's success.

Fletcher Building is committed to building strong relationships with our stakeholders. At the local level, our businesses thrive on regular engagement with customers, suppliers, neighbours and local communities. At a Group level, we engage with Government and regulatory authorities. We are members of the following environment and sustainability organisations:

- Infrastructure Sustainability Council of Australia	- Sustainable Business Council
- Lifecycle Association of New Zealand	- Sustainable Business Network
- NZ Green Building Council	

Further sustainability information can be found on the Group's website at [fletcherbuilding.com/about-us/environment-and-sustainability/](https://fletcherbuilding.com/about-us/environment-and-sustainability/).

## 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, provide incentive to drive for both annual and long-term results, and maximise shareholder value.

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

The 'Remuneration Report' on pages 50 to 59 outlines in detail 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.

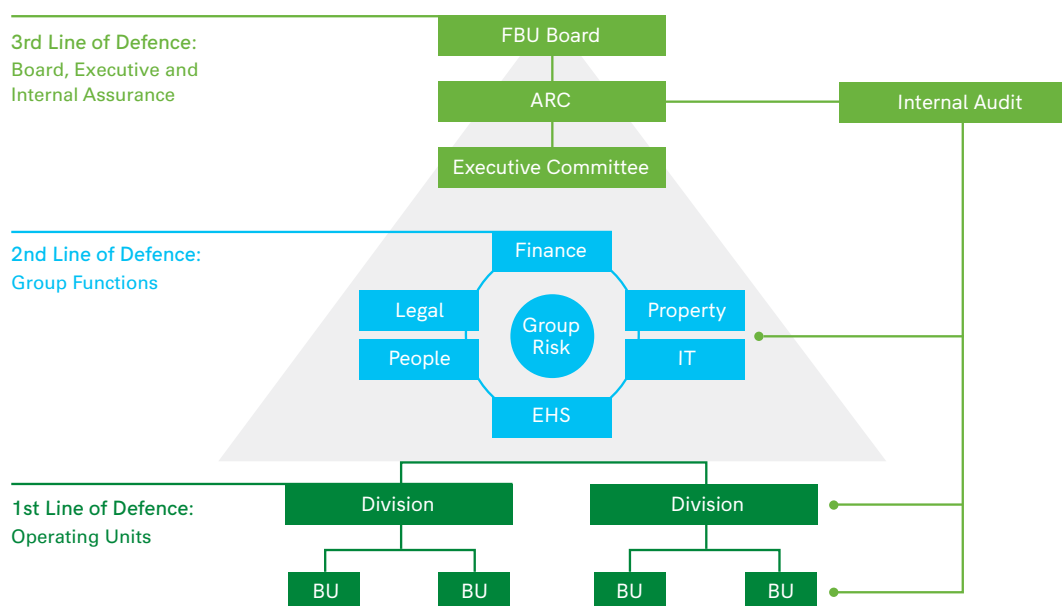
## Principle 6 – Risk Management

“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.”

## RISK FRAMEWORK

The purpose of the risk management framework of the Group is to ensure that the key risks faced are identified, assessed, controlled, monitored and reported so that the Group can achieve its objectives and protect its people, customers, financial results and reputation.

The Fletcher Building risk management framework is based on a three lines of defence model as set out below. This starts – and operational accountability ultimately rests – 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 overseen by the Board and executive team, with a dedicated internal audit team which takes a risk-based approach to auditing key business activities and reports directly to the Audit and Risk Committee. Risks identified through other business wide processes, such as the materiality assessment described on page 49, are used to inform the risk management framework and where material are included in risk management processes.



As part of its risk management responsibility, the Audit and Risk Committee receives regular reports of the material, emerging and existing key risks, the current and target risk ratings, and the measures in place to mitigate the risks.

The Fletcher Building risk management framework provides a consistent framework for the management of risk, ensuring the alignment with strategy, business processes and technology. The Group's approach aligns with the international risk management framework as established under the International Organisation for Standardisation (ISO) *ISO31000:2018 Risk Management – Principles and Guidelines*.

## ACTIVITY IN FY20

In FY20 Fletcher Building reviewed and refreshed both its risk management policy and risk management framework. This review enabled both the policy and framework to be refreshed to reflect the updated *ISO31000:2018 Risk Management – Principles and Guidelines* as well as internal developments within the Group.

Both the updated risk management policy and risk management framework were reviewed by an external party to ensure that these documents were pragmatic, clearly understood and representative of current good market practices.

Additionally, through the year there were risk workshops including individual business units' managers and the Group Risk team reviewing the specific business unit risk registers. This is an integral part of the risk management framework at Fletcher Building and helps form part of the updates provided to the Audit and Risk Committee.

Fletcher Building also utilised external experts in the provision of the risk engineering programme. This programme covered 22 key sites in FY20 and the resulting risk engineering reports provide valuable insights to both management as well as our insurers.

## COVID-19 RESPONSE

In FY20, like many businesses, Fletcher Building was materially impacted by COVID-19. The Group's response began in late January 2020 with a focus on monitoring our supply chain, particularly with respect to the potential disruption in China. This risk was well managed by the Group through strong supplier relationships and proactive management of existing resilience stock levels. Regular reporting to both senior management and the Board occurred during this period.

As COVID-19 developed into a global pandemic the response by the Group focused on keeping its people safe from the developing health and safety risk and ensuring that our business units could continue to operate in a normal manner. The Group's Crisis Management Team was mobilised and through this period met 29 times between February and April 2020. Additionally, during this period the Board met on a regular basis to be updated on the COVID-19 response by the business.

In Australia, this focus resulted in the majority of our businesses being able to operate with relatively few restrictions through this period.

In New Zealand, our operations were required to cease during COVID-19 Alert 'Level 4' as most operations were deemed to be non-essential services. This resulted in the temporary closure of over 450 sites and the requirement for ~9,400 of our people to either work from home or enter the Group's 'Bridging Pay Programme'. This period saw a robust response by the Group, leveraging its business continuity and IT recovery plans to manage the business through this event.

With the transition in New Zealand from COVID-19 Alert 'Level 4' to Alert 'Level 3' in late April, the Group was able to execute the 'Return to Work' plans that the business unit managers and divisional lead teams had developed. Most of our operations were able to recommence in Alert 'Level 3' to respond to the requirements of our customers and help the rebuilding of the New Zealand economy. The Group utilised innovative solutions in this period such as the in-house development of a contact tracing system.

## Corporate Governance (Continued)

### KEY RISKS

The Fletcher Building risk management framework is focused on the 10 key commercial (non-Health and Safety) risks that the Group faces across its business. These risks are dynamic and during the course of FY21 new risks and uncertainties may materialise owing to changes in economic conditions, regulatory environment and other factors.

The 10 key risks, their potential impacts and how they are managed by the Group 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, in particular the loss of key assets, may lead to an inability to undertake the activities of a business unit or the Group.	The occurrence of a disruption event at a key site could lead to an extended operational interruption, which may negatively impact the financial performance of the business unit and ultimately the Group.	<ul style="list-style-type: none"> <li>Business units have business continuity plans in place to address the identified operational continuity risks as well as to enable preventative measures to be undertaken.</li> <li>Regular monitoring of the risk environment occurs to ensure 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>We review long-term risks associated with climate change and resource availability at Group level to assess our resilience and the risk horizon.</li> </ul>
<b>Economic and Construction Downturn</b>  The building and construction industries in which the Group operates are fundamentally cyclical and are 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 operational 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 the Corporate centre with in-depth market analysis.</li> <li>Monthly operational reviews are undertaken by the CEO and executives with business units and divisions, as well as the Board undertaking business unit 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 and subject to change and may affect the Group's operations.	Additionally, we recognise that failure to adhere to, or monitor changes to the various regulatory requirements may lead to the imposition of penalties, operational disruption or reputational damage. Fletcher Building is committed to complying with legal and regulatory requirements across all our operations.	<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 business. A number of these policies are located at <a href="https://www.fletcherbuilding.com/investor-centre/corporate-governance/">fletcherbuilding.com/investor-centre/corporate-governance/</a></li> <li>A key development in recent years is the establishment of commercial Golden Rules, which provide a framework for all staff on the type of contractual risks that the Group is prepared to accept and/or how they should be managed commercially.</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.	The structures constructed or products manufactured, supplied and/or purchased 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>Robust 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 audits on business units' manufacturing and product quality control processes.</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 the ineffective coordination, and control of the organisational supply chain may result in operational disruption, negatively impact financial performance, imposition of penalties and reputational damage.	<ul style="list-style-type: none"> <li>Business units have business continuity plans in place that 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
<p><b>People</b></p> <p>The failure of the Group to attract, retain and support our people (including engagement with collective representation groups) negatively impacting business units or the Group.</p>	<p>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.</p> <p>Additionally, industrial action by collective representation groups can cause operational disruption.</p>	<ul style="list-style-type: none"> <li>• The People and Performance function within the Group supports business units by providing advice, tools, processes and policies to drive employee, team and business performance.</li> <li>• With a core value of the Group being, Better Together, the Group is committed to driving greater diversity in all parts of the business. Please refer to pages 10 to 13 of this report for further details on the Group's focus on People and Communities.</li> <li>• The Group continues to focus on identifying and developing talent, leveraging its world-class leadership programmes to grow the Group's emerging and established leaders.</li> <li>• FBuSay, the Group wide employee engagement survey provides valuable insights on staff engagement.</li> </ul>
<p><b>Environment</b></p> <p>Business unit operations may cause environmental damage through the failure to comply with the required environmental laws, resource consents and regulations.</p> <p>Additionally, failure to execute the strategic initiatives required for the Group to achieve its objective of being the New Zealand and Australian leader in sustainable building materials, construction and distribution, in particular, achieving a 30% reduction of carbon emissions by 2030.</p>	<p>Failure to comply with the environmental laws, resource consents and regulations may result in imposition of penalties and reputational damage.</p> <p>Additionally, the inability to achieve the Group's sustainability objectives may result in decreased demand from customers for the Group's services and building materials.</p>	<ul style="list-style-type: none"> <li>• Business units that have potential environmental impacts have Environmental Management Plans in place and have monitoring processes in place for resource consents.</li> <li>• At both Group and business unit level we engage with regulators on proposed changes to standards and regulations.</li> <li>• The Group has a stated sustainability strategy and accompanying annual targets. Please refer to pages 8 and 9 of this report for further details on the Group's sustainability strategy and performance.</li> </ul>
<p><b>Technology Resilience</b></p> <p>Fletcher Building is dependent on information technology systems to maintain its operations.</p> <p>Failure to provide reliable, resilient, adaptable, and efficient technology infrastructure may impact the operations of the business units or the Group.</p> <p>Additionally, the Group is also exposed to threats by third parties that can create operational disruption or result in the loss of confidential data.</p>	<p>Failure to provide reliable, resilient, adaptable, and efficient technology infrastructure may cause operational disruption, reputational damage to business units or the Group.</p> <p>Failure to safe-guard confidential information may also result imposition of penalties and reputational damage.</p>	<ul style="list-style-type: none"> <li>• Continued capital expenditure investment in technology systems across the Group to support our operations.</li> <li>• Development of IT disaster recovery plans for each business unit.</li> <li>• A dedicated team within Group Technology to address the ever-evolving cyber security threats that the Group faces.</li> <li>• Group-wide education and awareness training in relation to cyber-threats.</li> </ul>
<p><b>Contractual</b></p> <p>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 incurring liabilities or performance under contracts that are commercially adverse.</p>	<p>The execution of onerous contracts may have the potential to negatively impact financial performance or the reputation of a business unit or the Group.</p>	<ul style="list-style-type: none"> <li>• The Group has established delegated financial authorities ('DFAs') that business units and the Group must adhere to.</li> <li>• The Group has developed commercial Golden Rules which govern the way we contract with external parties.</li> </ul>
<p><b>Corporate Reputation and Social License to Operate</b></p> <p>The Group appreciates the privileged position it has in the communities it operates in as a Company 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 its operations to ensure that it continues to address the interests of all its key stakeholders.</p>	<p>The failure to act in a way which 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.</p>	<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>

## Corporate Governance (Continued)

### RISK CAPTURE AND REPORTING

The risk and uncertainties that are faced by the individual business units are captured in the enterprise-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 has also increased the cadence of operational risk reporting through business unit operations reviews. This allows the Group to see where decisions are regularly being made when assessing risk in implementing the business strategy and to understand how different risks affect different parts of the business.

### HEALTH AND SAFETY

Fletcher Building has a health and safety management framework called Protect. Management of health and safety risks is discussed in more detail on page 11. Health and safety risks are captured within Radar.

## 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 Group 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 Fletcher Building’s 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 includes information about Fletcher Building’s financial performance, operational activities, corporate governance and other information of specific relevance to investors and stakeholders. Core requirements on communicating with shareholders are formalised in a Shareholder Communications Policy, which is available on the website.

The Group operates an investor relations programme, which includes scheduled interactions with institutional investors, analysts and other market commentators. Presentations are also disclosed on the Group’s website and the NZX and ASX announcement platforms. The Chair meets with major shareholders in New Zealand and Australia on an annual basis as well as on an ad-hoc basis. The CEO and chief financial officer attend an analysts’ and investors’ call after release of the interim and full year results and answer questions raised by analysts and investors. The Board also annually obtains research on the perceptions that the New Zealand and Australian investment community has of the Group, management and performance.

### 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 representative. Resolutions at 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 of our shareholders and posted on our website at least 20 working dates prior to the meeting.

The Group is closely monitoring the COVID-19 situation and the travel restrictions it has caused. As a result, the Group may elect to hold the Annual Shareholders’ Meeting in 2020 as a virtual meeting.

# Sustainability Materiality Assessment

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. Our sustainability strategy addresses the areas where we have the most impact, and our aims and targets focus on where our actions will lead to meaningful change.

In FY18 we commissioned independent experts to carry out a materiality assessment to inform the development of the sustainability strategy for Fletcher Building. The materiality assessment identified the key issues stakeholders want Fletcher Building to address and was designed and executed in line with the AA1000SES internationally recognised standard for stakeholder engagement.

The assessment identified 28 aspects of sustainability that are material for Fletcher Building. We ran a series of internal workshops to identify which aspects were most material in the immediate future, and which aspects were most material for a ten-year horizon.

We then validated the assessment in FY19 through interviews with a number of our major institutional investors who have committed to the UN Principles of Responsible Investment framework. We also reviewed our FY18 performance, regional and international trends and disruptors for our market sector, the components of leading sustainability indexes, the performance of leading peers in our market sectors, surveys of attitudes and concerns around sustainability from Colmar Brunton in New Zealand and the Lowy Institute in Australia, and the UN Sustainable Development Goals (SDGs).

The information from these interviews and reviews was used to validate our materiality assessment. The material issues identified underpin the six core aims of our sustainability strategy, which we first published in our FY19 Annual Report and can be referred to in this report on page 9.

Two of our most significant material issues in both time horizons are safety and carbon emissions/climate change. In FY20, we kicked off a multi-year cultural change safety reset with the inclusion of Protect as a core value and the establishment of Safety Leadership Walks as a gateway to leadership incentive schemes in addition to the targets for all of our senior leaders to reduce recordable injuries (TRIFR). We include targets for carbon reduction in plans for all our business units and in remuneration incentives for senior managers in areas of the business with the most impact on our carbon emissions and climate change.

We recognise that because the issues that matter to our business and our stakeholders will change over time, the issues that are material for our business will change. We will look to carry out a review of our material issues in FY21 and FY22 as part of our current plan to move to integrated reporting.



Our remuneration strategy aims to attract, retain and motivate high calibre people at all levels of the organisation, to support our vision and strategy.

**BARBARA CHAPMAN**  
Remuneration Committee  
Chair

# Remuneration Report

## Message from the 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 2020.

Over the year we have seen some significant events impacting our business and people, starting with the fire at the New Zealand International Convention Centre in October, the bushfires in Australia through December / January, and ending with the global pandemic of COVID-19 from March of this year. Our people have demonstrated great resilience and an ongoing dedication to their customers, team and the Group. Through this, our focus has remained on our people, customers and shareholders as we have navigated through these challenges and made the decisions needed for the longer-term health of the Group.

Details on some of the decisions we have made in response to these events are provided below, as well as an overview of changes we have made relating to our safety approach in our short-term incentives, and our new look remuneration report.

### Strengthening our safety approach in our short-term incentives

As a company we have placed significant investment in strengthening our safety governance, practice and culture. Although our overall Total Recordable Injury Frequency Rate (TRIFR) remained relatively unchanged from FY19, serious injuries were significantly lower, and most importantly there were no fatalities in FY20. While every injury is unacceptable, we are demonstrating solid progress in enhancing our safety culture. This is evidenced through the genuine and committed approach our people are taking in building on the positive progress we are making with our safety beliefs, values and behaviours.

To emphasise its importance, safety is a gateway into our short-term incentive (STI) plan. This requires all senior leaders in the business to complete a set number of safety leadership walks before any STI payment is made, irrespective of whether financial or individual performance has been achieved. Safety leadership walks are an essential lead indicator that allows us to better understand where greater safety focus is needed and sets the business up to be accountable for taking action where necessary. The leadership walks play a vital part in further reinforcing a leadership safety culture through creating important safety conversations, providing visibility of our senior leaders and the importance they place on safety, as well as providing a fresh set of eyes across our critical risks.

### New look remuneration report

We have made changes to our remuneration report this year, so our remuneration frameworks and approach to rewarding for performance are more transparent and better understood. We have included additional graphics to support that understanding, which enable us to more simply demonstrate the clear link we require between performance and remuneration outcomes.

This remuneration report includes: a summary of our remuneration governance approach; the impact business performance for FY20 has had on incentives; and our remuneration framework and how that links to our strategy. We have also added a more detailed overview of the CEO's remuneration outcomes for FY20.



## COVID-19 and the impact on our businesses and people

This financial year, COVID-19 provided a significant challenge to our organisation with almost all of our New Zealand businesses shut down during 'Level 4' lockdown, excluding a small number of essential services. In addition Australia, while continuing to operate, was impacted by reduced trading and COVID-19 safety protocols during H2. The revenue our businesses were able to generate during this period was significantly reduced. As a result, we put in place a number of remuneration strategies as part of managing the Group's immediate financial position and to prepare for the longer-term impacts of COVID-19 on the economy.

As we thought through these strategies, we looked to balance the needs of our shareholders, customers and people during a time of significant uncertainty.

At the end of March, we put in place a 'Bridging Pay Programme' for our people not working over the lockdown period in New Zealand. This involved stepped down pay reductions over a period of 12 weeks. Our aim was to provide certainty around pay and working arrangements so our people could plan their finances as best as possible. We also launched a mobile app which enabled us to answer questions around leave and pay entitlements, and to provide financial and wellbeing support tools for our people while they were not at their workplaces. Additional funding was also provided to the Fletcher Building Employee Welfare Fund (EWF). Those people facing genuine hardship during the lockdown were able to apply for COVID-19 financial hardship grants through the EWF.

Owing to the impact of the COVID-19 lockdown on revenue, we were eligible for \$68 million in wage subsidies from the New Zealand Government, which was passed on in full to employees in accordance with the scheme. Our most senior people in New Zealand who continued to work through the shut down which included the Board directors, CEO, chief executives and other senior leaders, also took temporary pay cuts. The cuts were 30% for the directors, CEO and chief executives; these remain in place for the directors and CEO through to end of Q1 FY21 (30 September 2020). Senior people who were not required to work through the shut down were placed on the 'Bridging Pay Programme'.

With expectations that COVID-19 will lead to a downturn in FY21 and potentially beyond, it was imperative that the Group reposition its cost base and operating model. This has meant making some very difficult decisions, including reviewing the number of people we employ. In May we entered into a consultation process to reduce the number of people we employ in both New Zealand and Australia, by approximately 1,500 roles. We supported these people with career advice and wellbeing support, as well as ensuring every permanent employee leaving Fletcher Building would receive a payment of no less than four weeks' base salary to recognise the exceptional circumstances.

## Short-term incentives and application of discretion

Further, even though some businesses performed sufficiently well to trigger eligibility for incentive payments, and in some cases performed well above target (in the case of operating cash), the directors exercised their discretion to determine that no STI payments for performance in FY20 would be made across the Group irrespective of performance levels. Total estimated STI payments that would have been paid is circa \$13 million. I am confident this was the right thing to do in light of the remuneration strategies in place across the Group, and cancellation of the FY20 interim dividend.

This means for FY20, the CEO and executive will receive no STI payments. Last year the CEO and executives' STI payments ranged from 4% to 146% of their STI target.

And finally, to further contain labour costs, we made the decision that no remuneration review would take place for FY21.

We appreciate the resilience of our people in supporting these decisions, which is a testament to the culture that Ross and his team are building.

The decisions around jobs and pay, while necessary to manage our costs, in no way reflect the performance of our people in what has been a unique and challenging environment; we value our people highly and are grateful for their efforts. In a year that has provided a number of challenges, the response of our people has been exceptional, and I am very proud of the dedication shown by them.

I invite you to review the full remuneration report.



**Barbara Chapman**  
Remuneration Committee Chair

## Remuneration Report (Continued)

### The role of the Remuneration Committee

The principal role of the 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, performance and remuneration of the Group's senior executives, development and succession planning for the CEO and direct reports to the CEO, and major organisation changes.

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

Key decisions made by the Remuneration Committee during FY20 included: approval of FY19 STI payouts (which were made in September following completion of the financial year), review and approval of base salaries for the CEO and chief executives and the STI framework for senior leaders for FY20, pension plan governance matters, people and remuneration strategies put in place in response to COVID-19 - including the decision to apply discretion to determine that no STI payments would be made for FY20, and a review of the Group's remuneration disclosures with resulting changes made to this remuneration report.

### Performance and the impact on incentives

#### Short-term incentives (STI)

EBIT performance during FY20 was below target levels for the CEO, chief executives and the majority of senior management resulting in most not meeting the performance thresholds required for eligibility for payment on EBIT or individual goals. Cash performance during FY20 was in some cases well above target performance levels, resulting in eligibility for payment for some executives and senior management. However, the Board exercised its discretion to determine that no STI payments for performance in FY20 would be made across the Group irrespective of performance levels. This decision was made having regard to the impacts of COVID-19, the impact of the Group performance on shareholders – which included the cancellation of the FY20 interim dividend, and the critical management of cash.

#### Long-term incentives

The July 2016 long-term share scheme grant (specifically the remaining relative total shareholder return tranche, which was within the 12-month retest period up to 30 June 2020), was below the minimum threshold performance levels and therefore was forfeited. The July 2017 long-term share scheme grant was below minimum threshold performance levels, and has therefore entered the 12-month retest period.

Further details on each of these incentive schemes are provided on the following pages.

### Executive and senior management remuneration strategy and framework

Fletcher Building's remuneration strategy aims to attract, retain and motivate high calibre people at all levels of the organisation, to support our vision and strategy.

Total remuneration is comprised of three elements - fixed remuneration, a short-term variable incentive, and a long-term share scheme.

Remuneration levels are reviewed and benchmarked annually for market competitiveness, and alignment with strategic and performance priorities. A peer group comprised of New Zealand and Australian companies generally comparable in size, complexity and industry is used to benchmark executives. The benchmarking peer group was reviewed and refreshed in 2019, to ensure it included companies that displayed similar characteristics by way of industry/sector, market capitalisation, revenue, geographic scope and employee numbers, and so it reflected where the Group wins and loses talent from. In light of no remuneration review taking place for FY21, this benchmarking exercise was not undertaken in FY20.

#### 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.

#### Short-term variable incentive (STI)

STIs are designed to incentivise the Group's earnings, operating cash and those measures that drive sustainable business performance by rewarding employees' performance against both financial and individual goals. Participation in the STI plan is by annual invitation at the discretion of the Group. Target levels of STI opportunity range from 20% to 100% of base salary depending on the role. For the CEO the target STI opportunity is set at 100% of base salary.

### Vision

To be the undisputed leader in New Zealand and Australian building solutions – with products and distribution at our core

### Governance

Our Board is responsible for the Group's remuneration policy, with the Remuneration Committee assisting in the conduct of its responsibilities. The principal 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 are available in our remuneration policy)*

#### Shareholder

Focus on creation of shareholder value – short and long-term

#### Our People

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

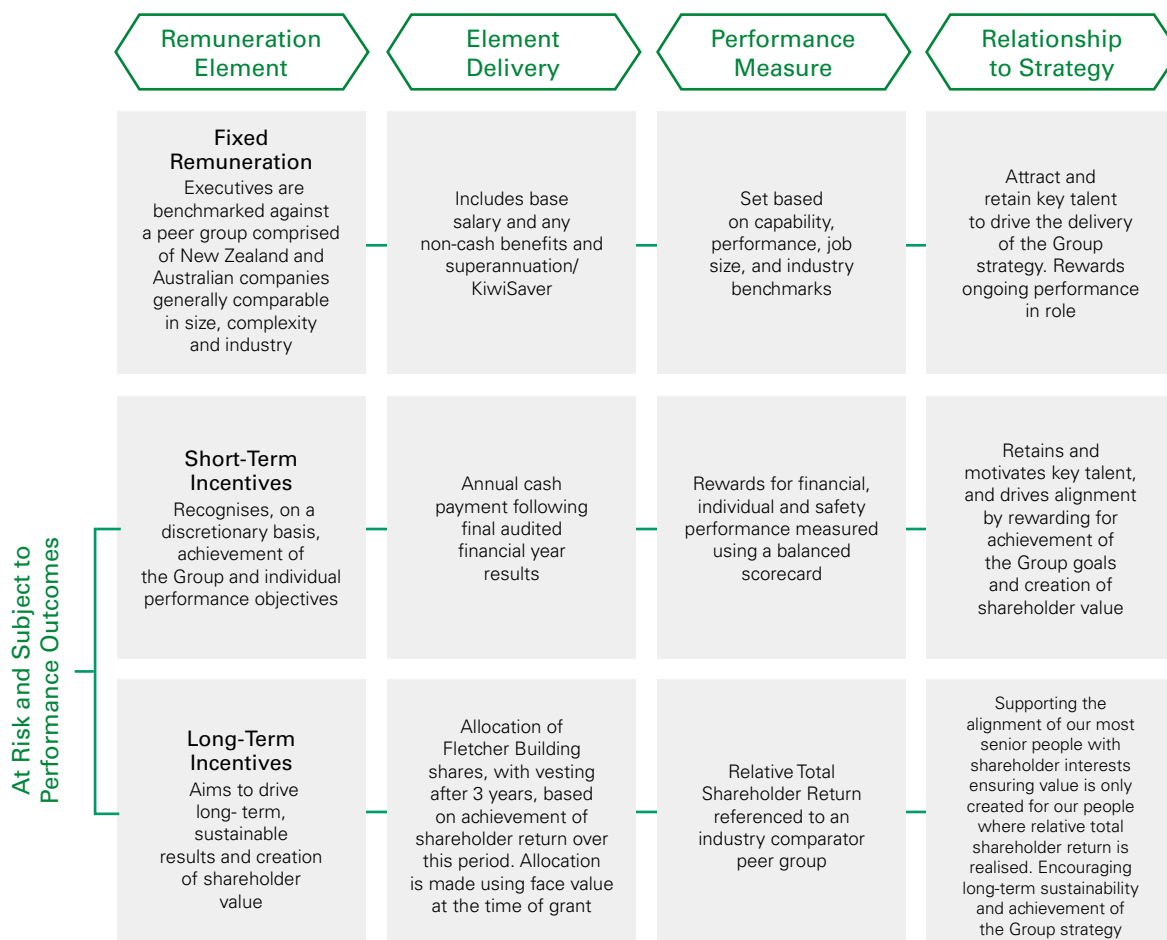
#### Strategy

Focus on key company goals and objectives – short and long-term

#### Risk

Encourage conduct that does not expose the Group to inappropriate risk and promotes high standards

## Remuneration Framework and How it Supports the Strategy



## Remuneration Report (Continued)

### Financial targets

For the CEO and senior management roles in Corporate, the financial target is based on the Group EBIT and operating cash. For those senior management roles operating in specific divisions or business units, the financial target is based on their own division/business unit EBIT and operating cash or working capital depending on the business' priorities. Each of these financial measures are assessed separately at the time of determining STI payments. To ensure an appropriate balance between focusing on individual division/business unit financials and that of the Group or respective division that the business unit operates in, a multiplier (either up or down) is applied based on achievement of Group EBIT, or division EBIT targets.

Financial targets are set at three levels: a threshold level, which must be met before any STI is paid, a target level, and a maximum level that reflects stretch performance. For FY20, the financial threshold level was set at 90% of target. The maximum financial level is generally set at 110% or 120% of target.

The CEO, chief financial officer, and operating roles have 70% of their STI opportunity based on financial measures, with the remaining 30% on individual goals. As functional roles have a greater ability to directly influence company performance through their individual goals, 50% of their STI opportunity is based on individual goals with the remaining 50% on financial measures.

### Individual goals

Individual goals for the executives and senior management are aligned to the different priorities and development phases in which their businesses are operating. This may include above plan growth, gross profit margin expansion, talent, diversity and innovation, and other strategic goals that drive performance beyond the current financial year. The executives' objectives were reviewed by the Board, and in the case of the CEO were approved directly by the Chair.

The performance range for individual goals is between 0% and 100%, with no opportunity for stretch performance. If the threshold EBIT target is not met, no individual component of the STI is payable.

Achievement against each executives' individual goals is reviewed by the Board at the time of reviewing and approving STI payouts.

### Safety performance

To reinforce a line led safety culture, and to place emphasis on the importance of active and authentic leadership for safety on site, safety leadership walks are a gateway for any STI payment to be made. The number of safety walks required to be completed differs by role with operating roles and EHS roles completing no less than 12 per year.

In addition, a multiplier of between 0.9 and 1.1 is applied to the overall STI outcome based on achievement against TRIFR targets. Injury reduction targets (i.e., reduction in TRIFR) are set for each business and tracking of this important measure provides us with year on year comparisons of actual safety performance. TRIFR is used as a common measure for injury performance globally and, as such, enables external benchmarking which we use to understand how our safety performance compares to other companies.

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 will consider 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 appropriate.

### Clawback

The Board also has the discretion to require repayment of an employee's STI for a period of up to three years where the Group's financial statements were incorrectly reported, there is misconduct that causes a financial trading loss that has not been taken into account in the STI calculations or an error or misstatement has resulted in a material overpayment.

### Long-Term Share Scheme

A long-term performance incentive scheme designed to align employee remuneration with sustainable financial outcomes for shareholders over the longer term is in place. The Group has a share based executive long-term share scheme (ELSS) which is offered to certain senior employees, including the executives and senior management. The scheme is a share-based scheme except in circumstances where, due to regulatory requirements, employees cannot participate fully or at all by way of shares. In such circumstances, the employee receives an equivalent economic entitlement which is paid partially or fully by way of a cash bonus entitlement. This non share-based scheme will no longer operate from FY21, as no employees remain on this scheme. Participation in any year is by annual invitation at the discretion of the Group.

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. The performance criteria comprises a relative total shareholder return (TSR) measure, and the restrictive period is extended by up to twelve months if the TSR criteria is not met at the end of the initial three year restrictive period.



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. To the extent that the share 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, retirement or being an executive with five or more years of service.

### Performance criteria for 2019 ELSS grant

The sole performance criteria for the 2019 ELSS grant is relative TSR. 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 comparator group. The comparator group used for the 2019 offer comprises Adelaide Brighton, BlueScope, Boral, Brickworks, CSR, GWA Group, James Hardie, Metro Performance Glass, Reece and Steel & Tube.

The relative TSR performance and resulting vesting entitlements are set out below:

Relative TSR percentile	Percentage vesting entitlement
Below 51 <sup>st</sup>	Nil
At 51 <sup>st</sup>	50%
Above 51 <sup>st</sup> to below 75 <sup>th</sup>	51% – 99% linear pro-rata
At 75 <sup>th</sup> or above	100%

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.

### Vesting and forfeiture history

Prior to 2017, the ELSS performance criteria consisted of both relative TSR and an earnings per share (EPS) target. The vesting and forfeiture of shares (due to failure to meet performance criteria) over the last five years is set out in the following table:

Date of grant	Shares granted	% vested	% forfeited	EPS Target
July 2019	1,386,100			N/A
July 2018	1,041,605	In-Flight		N/A
July 2017	890,075 <sup>(1)</sup>			N/A
July 2016	905,211	0%	100% <sup>(2)</sup>	70.1 – 76.3
October 2015	3,208,083	0%	100%	67.1 – 73.1

<sup>(1)</sup> FB's TSR did not meet the minimum vesting threshold for the three years ended 30 June 2020 for the 2017 issue. Therefore, the restrictive period has been extended to 30 June 2021.

<sup>(2)</sup> The 2016 EPS tranche was forfeited in August 2019 and the restrictive period for the TSR tranche was extended for 12 months until 30 June 2020. FB's TSR did not meet the minimum vesting threshold for the period ended 30 June 2020. Therefore, the remaining 50% shares in the 2016 issue will be forfeited in August 2020.

In addition, in 2019 the Board granted a special retention in the form of a one-off share-based arrangement to the value of \$1,000,000 to the CEO as disclosed in the 2019 Annual Report. This arrangement will vest 30 June 2022, subject to him remaining employed with the Group.

### Minimum shareholding requirement

Over time, executives and senior 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 50% of their base remuneration. The Group believes this shareholding requirement strengthens the alignment of executives and senior management with the interests of shareholders and puts their own remuneration at risk to long-term Group performance.

In addition, for the CEO and his direct reports, if at the time of appointment to an executive role, the greater of the market value or cost of the individual's shareholding is less than the value of 10% of their base remuneration, the executive is required to apply no less than 25% of the after-tax value of any STI payment to acquire shares in the Group on or before 31 March of the following financial year. This requirement applies for the first two years of employment as an executive.

As at 30 June 2020, the CEO had a holding in the Group's ordinary shares equal to 57% of his base remuneration. This 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.

### FBUShare

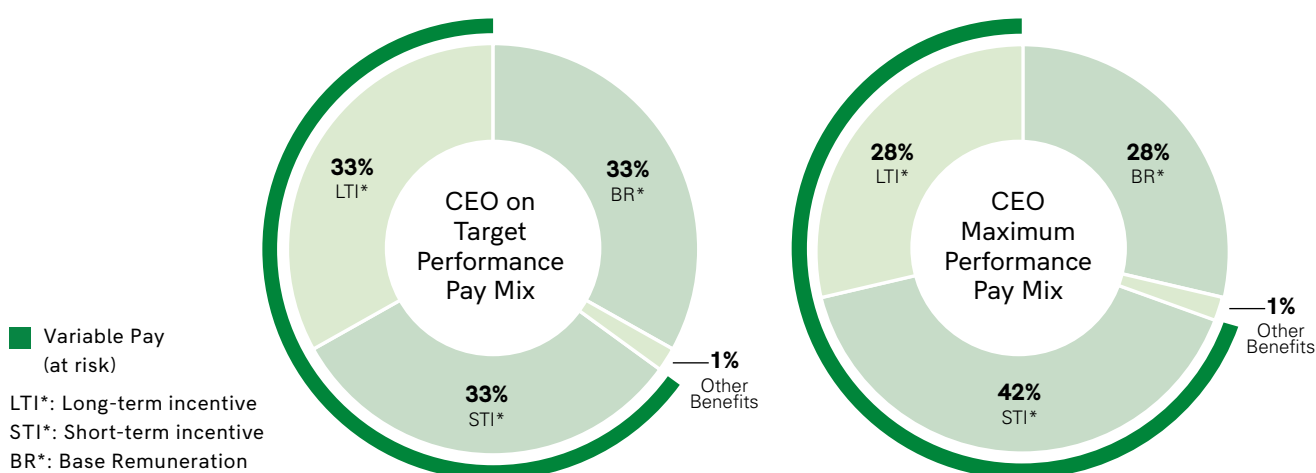
FBUShare is Fletcher Building's employee share plan available to all permanent employees. The plan aims to connect our people with our performance, and to promote employee engagement and retention. Employees acquire shares in the Group and, if they continue to be employed after a three year qualification 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\$500 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.

## Remuneration Report (Continued)

### CEO'S REMUNERATION

Ross Taylor's annual base salary as at 30 June 2020 was \$2,050,000 <sup>(1)</sup>, with an on-target STI of 100% of base salary and LTI of 100% 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 remuneration received for FY20 is significantly lower due to the 30% pay reduction due to COVID-19, and no FY20 STI payment made. The remuneration Ross Taylor received for FY20 and FY19 comprised of the following:

	FY20	FY19
Base remuneration	\$1,903,302	\$2,050,248
Other benefits <sup>(2)</sup>	\$61,802	\$106,503
Short-term incentive accrued in the financial year, payable in September of the following financial year	\$0	\$1,095,819
<b>Received <sup>(3)</sup></b>	<b>\$1,965,104</b>	<b>\$3,252,570</b>

	Shares granted	
Long-term incentive - number of shares granted	263,628 <sup>(4)</sup>	196,495 <sup>(5)</sup>
Long-term incentive - face value of grant	\$2,050,000	\$2,050,000

Refer above for details of the STI and ELSS.

<sup>(1)</sup> A 30% pay reduction due to COVID-19 on this value is in place from Q4 FY20 through to end of Q1 FY21.

<sup>(2)</sup> Includes KiwiSaver and medical insurance premium.

<sup>(3)</sup> This table sets out remuneration awarded for the relevant financial year. The table on page 58 shows remuneration received during the year, which includes amounts relating to prior years but paid in the year due to timing differences.










<sup>(4)</sup> Based on a share price of NZ\$5.21, being the volume weighted average price for the five business days prior to 1 July 2019.

<sup>(5)</sup> Based on a share price of NZ\$6.99, being the volume weighted average price for the five business days prior to 1 July 2018.

## CEO'S REMUNERATION

For FY20, the following financial and non-financial measures were considered by the Board to be key to incentivise earnings and operating cash, and to drive sustainable business performance. The table below summarises performance against targets for each of these measures under the CEO's FY20 STI.

In addition to the measures set out below, considerable focus during the last half of FY20 has been on responding to and leading through the COVID-19 global pandemic and preparing the Group for an economic downturn. Although the shut down and COVID-19 had a material impact on achievement of EBIT, positive gains were made controlling cash at a time when the Group's ability to generate revenue was significantly impacted.

Measure	Scorecard Weighting 'Target' (payout range)	Actual Outcome	Comment
<b>Safety Gateway</b>	Gate for any payment		Provided active and authentic leadership for safety on site through safety leadership walks.
<b>Financial Targets</b>			
FB Group EBIT (gateway to individual goals)	50% (0%-76%)		The EBIT loss of \$(116) million did not meet the threshold target level set as it was impacted by both the COVID-19 market impacts (which included an almost complete shut down of the NZ businesses), and increase in the provision envelope to complete the remaining legacy construction projects. This resulted in no payment for this measure. As EBIT is also the gate to eligibility for payment against individual goals, no payment for individual goals was made irrespective of achievement against some of these goals.
FB Group Cash	20% (0%-30%)		Cash flow performance for the FY20 year was materially above budget. This was achieved from strong cash disciplines across the business which were well maintained through the COVID-19 shut down, and enhanced by decisions to restrict both capital expenditure and residential land purchases through the year.
<b>Individual Goals</b>			
Australian division has momentum for the turnaround and is set up to achieve growth in FY21	10% (0%-10%)		The Australian business did not meet its budget targets as a result of the market slowdowns from the COVID-19 impacts. While the business was reset through the year to ensure it was set up on a go forward basis to deal with this – goal was not achieved.
Gross profit margin uplift for NZ Core, and deploy strategies and operating disciplines to ensure set up to achieve FY21 gross profit margin uplift beyond current plan	5% (0%-5%)		The NZ businesses did not achieve the targeted profit levels for FY21 as a result of the shut down and market contraction resulting from the impacts of COVID-19. While the business was reset through the year to ensure it was set up on a go forward basis to deal with this – this goal was not achieved.
Growth and innovation initiatives identified, and plan being implemented that credibly point to EBIT uplift between FY20 and FY23 Forecast	5% (0%-5%)		A suite of potential growth initiatives are identified with plans in place, that align with the overall Group strategy. These will be progressively implemented over the coming years.
Construction division strategy and organisation set up with a credible and robust plan to implement through FY21	5% (0%-5%)		FCC reset continuing to plan across; order book, team and skills rebuild, robust and consistent bid and delivery disciplines, appropriate project risk profiles and the continuing completion of legacy and historical projects. Unfortunately, we decided to increase our provisions across our Buildings and Infrastructure projects in our Construction division by \$150 million, the majority of which were as a result of impacts from COVID-19 shutdowns and productivity which impacted both in FY20 and beyond.
Senior leadership fit for purpose. Capabilities assessed with agreed actions delivered	5% (0%-5%)		Senior Leadership team in place, working effectively, and appropriate development plans in place.
<b>Safety</b>			
Safety Performance	Multiplier of between 0.9-1.1		Group Total Recordable Injury Frequency Rate (TRIFR) for FY20 was 5.7 (a slight increase from FY19's TRIFR of 5.0). As such the targeted improvement was not achieved. Of note however was the significant decrease in serious injuries (down from 20 in FY19 to 8 in FY20). Critical risks and reducing serious/fatal harm were the primary safety focus of the business.
<b>FY20 STI Outcome</b>	100% (0%-150%)	0%	Even though performance against the FB Group cash measure would have triggered eligibility for an incentive payment for this component, the directors exercised their discretion to determine that no STI payment would be made for performance in FY20.

Key:  Above Target Achievement  Full achievement against target  Partial achievement against target  No achievement against target

## Remuneration Report (Continued)

### 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	507	411	918	420,000 - 430,000	2	1	3
110,000 - 120,000	373	322	695	430,000 - 440,000	3	1	4
120,000 - 130,000	300	257	557	440,000 - 450,000	1	0	1
130,000 - 140,000	214	181	395	450,000 - 460,000	1	2	3
140,000 - 150,000	140	144	284	470,000 - 480,000	1	0	1
150,000 - 160,000	118	101	219	480,000 - 490,000	7	0	7
160,000 - 170,000	102	88	190	490,000 - 500,000	2	1	3
170,000 - 180,000	77	68	145	500,000 - 510,000	0	2	2
180,000 - 190,000	66	45	111	510,000 - 520,000	3	0	3
190,000 - 200,000	56	38	94	530,000 - 540,000	1	0	1
200,000 - 210,000	42	24	66	540,000 - 550,000	3	0	3
210,000 - 220,000	28	28	56	550,000 - 560,000	2	0	2
220,000 - 230,000	43	28	71	560,000 - 570,000	1	0	1
230,000 - 240,000	21	14	35	570,000 - 580,000	0	1	1
240,000 - 250,000	17	16	33	580,000 - 590,000	1	0	1
250,000 - 260,000	19	8	27	590,000 - 600,000	0	1	1
260,000 - 270,000	20	8	28	600,000 - 610,000	1	1	2
270,000 - 280,000	18	12	30	610,000 - 620,000	2	1	3
280,000 - 290,000	15	7	22	630,000 - 640,000	1	0	1
290,000 - 300,000	8	4	12	640,000 - 650,000	2	0	2
300,000 - 310,000	14	7	21	700,000 - 710,000	1	0	1
310,000 - 320,000	6	2	8	730,000 - 740,000	1	0	1
320,000 - 330,000	4	3	7	750,000 - 760,000	0	2	2
330,000 - 340,000	9	8	17	790,000 - 800,000	1	0	1
340,000 - 350,000	4	6	10	800,000 - 810,000	1	0	1
350,000 - 360,000	1	2	3	830,000 - 840,000	1	0	1
360,000 - 370,000	5	3	8	1,140,000 - 1,150,000	2	0	2
370,000 - 380,000	0	2	2	1,400,000 - 1,410,000	1	0	1
380,000 - 390,000	2	2	4	1,520,000 - 1,530,000	1	0	1
390,000 - 400,000	2	0	2	1,730,000 - 1,740,000	0	1	1
400,000 - 410,000	7	3	10	3,060,000 - 3,070,000	1	0	1
410,000 - 420,000	3	1	4				
					<b>2,285</b>	<b>1,857</b>	<b>4,142</b>

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).



## 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 must be within the aggregate amount per annum approved by shareholders. There are no schemes for retirement benefits for non-executive directors. Information of directors' holding of securities is set out on page 117.

As a result of COVID-19, effective 1 April 2020 the Board agreed to a reduction of 30% to the Chair and non-executive directors fees to remain in place through to the end of September 2020. Subsequently in June 2020, the Nominations Committee considered the appropriateness of current fee levels in light of COVID-19 and its impact on the Group's future performance and recommended to the Board no increase to the directors' fees for FY21, which remain at the current fee levels of FY20.

The remuneration scale for directors is outlined below:

		Remuneration scale <sup>(1)</sup>	
	Position	FY20	FY21
Board of directors	Chair <sup>(2)</sup>	\$367,200	\$367,200
	Non-Executive director	\$142,800	\$142,800
Audit and Risk Committee	Chair	\$37,000	\$37,000
	Member	\$19,000	\$19,000
Remuneration Committee	Chair	\$28,000	\$28,000
	Member	\$14,000	\$14,000
Nominations Committee	Chair	-	-
	Member	\$8,000	\$8,000
Safety, Health, Environment and Sustainability Committee	Chair	\$28,000	\$28,000
	Member	\$14,000	\$14,000
Non-vouchable expense allowance		\$5,000	\$5,000
Overseas based directors travelling allowance		\$18,000	\$9,000

<sup>(1)</sup> This table shows fees before the application of 30% reduction in Board fees referred to above.

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

Fees to directors for unscheduled, additional work required for the Group is time based, payable at \$1,200 per half day. No payments for this work were made in FY20 and none are budgeted for FY21. 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 FY20 (i.e. after including the 30% reduction in Board fees from 1 April 2020) are as follows:

Directors	Board Fees	Audit and Risk Committee	Nominations Committee <sup>(1)</sup>	Remuneration Committee	Safety, Health, Environment and Sustainability Committee	Non-vouchable expense allowance	Overseas based directors travelling allowance	Total Remuneration
Bruce Hassall (Chair)	\$339,660.00		\$ - (Chair)			\$5,000.00		\$344,660.00
Martin Brydon	\$132,090.00		\$8,000.00		\$14,000.00	\$5,000.00	\$18,000.00	\$177,090.00
Antony Carter <sup>(2)</sup>	\$58,594.57	\$7,796.20	\$3,282.61	\$5,744.57		\$2,051.63		\$77,469.58
Barbara Chapman	\$132,090.00		\$8,000.00	\$28,000.00 (Chair)		\$5,000.00		\$173,090.00
Peter Crowley <sup>(3)</sup> / <sup>(4)</sup>	\$96,390.00	\$10,119.57	\$6,000.00		\$7,456.52	\$3,750.00	\$13,500.00	\$137,216.09
Rob McDonald <sup>(5)</sup>	\$132,090.00	\$37,000.00 (Chair)	\$8,000.00	\$7,456.52		\$5,000.00		\$189,546.52
Doug McKay	\$132,090.00	\$19,000.00	\$8,000.00		\$28,000.00 (Chair)	\$5,000.00		\$192,090.00
Cathy Quinn	\$132,090.00	\$19,000.00	\$8,000.00		\$14,000.00	\$5,000.00		\$178,090.00
Steve Vamos <sup>(6)</sup>	\$107,100.00		\$6,000.00	\$10,500.00		\$3,750.00		\$127,350.00
<b>Total</b>	<b>\$1,262,194.57</b>	<b>\$92,915.77</b>	<b>\$55,282.61</b>	<b>\$51,701.09</b>	<b>\$63,456.52</b>	<b>\$39,551.63</b>	<b>\$31,500.00</b>	<b>\$1,596,602.19</b>

<sup>(1)</sup> All non-executive directors are members of the Nominations Committee.

<sup>(2)</sup> Antony Carter retired from the Board on 28 November 2019 following conclusion of the Annual Shareholders' Meeting.

<sup>(3)</sup> Peter Crowley was appointed to the Board on 1 October 2019.

<sup>(4)</sup> Peter Crowley was appointed member of the Audit and Risk Committee and Safety, Health, Environment and Sustainability Committee effective 20 December 2019.

<sup>(5)</sup> Rob McDonald was appointed member of the Remuneration Committee effective 20 December 2019.

<sup>(6)</sup> Steve Vamos resigned from the Board effective 30 March 2020.

# Financial Report



## Trend Statement

Notes	June 2020*	June 2019	June 2018	June 2017	June 2016	June 2015	June 2014	June 2013	June 2012 <sup>(2)</sup>	June 2011 <sup>(1)</sup>
	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M
<b>Financial performance</b>										
Operating revenue	7,309	9,307	9,471	9,399	9,004	8,661	8,401	8,517	8,839	7,416
Earnings before interest and taxation (EBIT)	(116)	397	(118)	273	719	503	592	569	403	492
Net earnings	(196)	164	(190)	94	462	270	339	326	185	283
Cash flow from operations	410	153	396	243	660	575	489	559	448	402
Earnings per share - basic (cents per share)	(23.5)	19.2	(25.5)	13.5	67.0	39.2	49.3	47.6	27.2	45.0
Dividends for the period (cents per share)	0.0	23.0	0.0	39.0	39.0	37.0	36.0	34.0	34.0	33.0
Return on average funds (%) <sup>(3)</sup>	(2.7)	7.4	(2.2)	4.9	13.4	9.6	11.7	10.8	7.4	10.6
Return on average equity (%) <sup>(4)</sup>	(5.1)	4.0	(5.2)	2.5	12.4	7.7	9.9	9.4	5.2	8.2
<b>Financial performance - before significant items</b>										
Earnings before interest and taxation (EBIT)	160	631	50	525	682	653	624	569	556	596
Net earnings	3	367	(60)	321	418	399	362	326	317	359
Earnings per share - basic (cents per share)	0.4	43.0	(8.1)	46.3	60.6	58.0	52.7	47.6	46.5	57.1
Return on average funds (%) <sup>(3)</sup>	3.7	11.8	0.9	9.4	12.7	12.5	12.3	10.8	10.2	12.8
Return on average equity (%) <sup>(4)</sup>	0.1	8.8	(1.7)	8.7	11.6	11.3	10.5	9.4	9.0	10.4
<b>Balance sheet</b>										
Current assets	3,824	4,121	3,944	3,419	3,222	3,272	2,958	2,868	3,112	3,104
Non-current assets	4,954	3,589	4,601	4,254	4,045	4,229	3,983	4,257	4,367	4,388
Total assets	8,778	7,710	8,545	7,673	7,267	7,501	6,941	7,125	7,479	7,492
Current liabilities	2,385	2,330	2,356	1,996	1,997	1,947	1,596	1,557	1,936	1,700
Non-current liabilities	2,858	1,207	2,047	2,097	1,557	1,844	1,891	2,014	2,091	2,092
Total liabilities	5,243	3,537	4,403	4,093	3,554	3,791	3,487	3,571	4,027	3,792
Capital	3,280	3,427	3,425	2,678	2,650	2,633	2,624	2,606	2,582	2,553
Reserves	220	714	693	878	1,041	1,050	795	913	838	1,113
Minority equity	35	32	24	24	22	27	35	35	32	34
Total equity	3,535	4,173	4,142	3,580	3,713	3,710	3,454	3,554	3,452	3,700
Total liabilities and equity	8,778	7,710	8,545	7,673	7,267	7,501	6,941	7,125	7,479	7,492
<b>Other financial data</b>										
Total shareholders return (%) <sup>(5)</sup>	(21)	(29)	(6)	0	11	(3)	9	51	(27)	14
Net tangible assets per share (\$)	2.87	3.53	2.85	2.70	2.87	2.80	2.60	2.61	2.65	2.71
Gearing (%) <sup>(6)</sup>	12.3	7.2	23.5	35.3	27.3	31.8	32.3	33.5	37.4	34.3
Leverage (%) <sup>(7)</sup>	0.9	0.4	4.8	2.7	1.6	2.0	2.0	2.3	2.6	2.4

\* June 2020 includes the impact of NZ IFRS 16 - Leases and incorporates right-of-use asset, right-of-use liability, right-of-use asset depreciation and lease liability interest expense.

<sup>(1)</sup> The Crane Group was acquired with an effective acquisition date of 28 March 2011.

<sup>(2)</sup> The June 2012 balance sheet has been restated following revisions to IAS 19 Employee Benefits adopted by the Group.

<sup>(3)</sup> EBIT to average funds (net debt and equity less deferred tax asset).

<sup>(4)</sup> Net earnings to average shareholders' funds.

<sup>(5)</sup> Share price movement in year and gross dividend received, to opening share price.

<sup>(6)</sup> Net debt to net debt and equity.

<sup>(7)</sup> Net debt to EBITDA.

# Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2020

Continuing operations	Notes	2020 NZ\$M	2019 NZ\$M
Revenue	3	7,309	8,308
Cost of goods sold		(5,496)	(6,025)
Gross margin		1,813	2,283
Selling, general and administration expenses		(1,660)	(1,748)
Share of profits of associates and joint ventures		7	14
Significant items	2.1	(276)	(94)
Earnings before interest and taxation (EBIT)		(116)	455
Lease interest expense	27	(69)	
Funding costs	15	(80)	(116)
Earnings before taxation		(265)	339
Taxation benefit/(expense)	24	81	(80)
Earnings after taxation		(184)	259
Earnings attributable to non-controlling interests		(12)	(13)
<b>Net earnings/(loss) from continuing operations</b>		<b>(196)</b>	<b>246</b>
Net loss from discontinued operations net of tax			(82)
<b>Net earnings/(loss) attributable to the shareholders</b>		<b>(196)</b>	<b>164</b>
Net earnings per share (cents)	5		
Basic		(23.5)	19.2
Diluted		(23.5)	19.0
Net earnings per share from continuing operations (cents)			
Basic		(23.5)	28.8
Diluted		(23.5)	27.7
Weighted average number of shares outstanding (millions of shares)	5		
Basic		835	853
Diluted		835	951
Dividends declared per share (cents)	17		23

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

On behalf of the Board, 19 August 2020



**Bruce Hassall**  
Chair



**Robert McDonald**  
Director



## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	2020 NZ\$M	2019 NZ\$M
Net earnings/(loss) attributable to shareholders	(196)	164
Net earnings attributable to non-controlling interests	12	13
Net earnings/(loss)	(184)	177
<b>Other comprehensive income</b>		
<i>Items that do not subsequently get reclassified to income statement:</i>		
Movement in pension reserve	(17)	(25)
	(17)	(25)
<i>Items that may be reclassified subsequently to income statement:</i>		
Movement in cash flow hedge reserve	(6)	(6)
Movement in currency translation reserve	35	(34)
	29	(40)
<i>Items that have been reclassified to income statement during the year:</i>		
Reclassification from currency translation reserve		7
		7
Other comprehensive income	12	(58)
<b>Total comprehensive income/(loss) for the year</b>	<b>(172)</b>	<b>119</b>
<b>Total comprehensive income/(loss) for the year arises from:</b>		
Continuing operations	(172)	178
Discontinued operations		(59)
	(172)	119

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

## Consolidated Statement of Movements in Equity

FOR THE YEAR ENDED 30 JUNE 2020

NZ\$M	Notes	Share capital	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	Currency translation reserve	Pension reserve	Total	Non-controlling interest	Total Equity
Total equity at 30 June 2018		3,425	875	9		(157)	(53)	4,099	24	4,123
Total comprehensive income for the year			164		(6)	(27)	(25)	106	13	119
Movement in non-controlling interests	19								(5)	(5)
Dividends paid to shareholders of the parent	18		(68)					(68)		(68)
Reclassification of pension reserve on disposal of business			(73)				73			
Movement in share-based payment reserve				2				2		2
Movement in treasury stock	18	2						2		2
Total equity at 30 June 2019		3,427	898	11	(6)	(184)	(5)	4,141	32	4,173
Change in accounting policies	27		(183)					(183)		(183)
Adjusted equity at 30 June 2019		3,427	715	11	(6)	(184)	(5)	3,958	32	3,990
Total comprehensive income/(loss) for the year			(196)		(6)	35	(17)	(184)	12	(172)
Movement in non-controlling interests	19								(9)	(9)
Dividends paid to shareholders of the parent	17		(128)					(128)		(128)
Movement in share-based payment reserve				1				1		1
Repurchase of shares	18	(147)						(147)		(147)
Movement in treasury stock	18									
<b>Total equity at 30 June 2020</b>		<b>3,280</b>	<b>391</b>	<b>12</b>	<b>(12)</b>	<b>(149)</b>	<b>(22)</b>	<b>3,500</b>	<b>35</b>	<b>3,535</b>

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

# Consolidated Balance Sheet

AS AT 30 JUNE 2020

Assets	Notes	2020 NZ\$M	2019 NZ\$M
<b>Current assets:</b>			
Cash and cash equivalents	7	1,104	1,372
Current tax assets	24	66	66
Contract assets	3	69	40
Derivatives	16	125	5
Debtors	8	1,041	1,298
Inventories	9	1,215	1,340
		3,620	4,121
Assets classified as held for sale	2.5	204	
<b>Total current assets</b>		<b>3,824</b>	<b>4,121</b>
<b>Non-current assets:</b>			
Property, plant and equipment	12	1,555	1,754
Intangible assets	13	1,133	1,129
Right-of-use assets	27	1,413	
Investments in associates and joint ventures	20	158	152
Inventories	9	301	264
Retirement plan assets	25	42	61
Derivatives	16	67	108
Deferred tax assets	24	285	121
Total non-current assets		4,954	3,589
<b>Total assets</b>		<b>8,778</b>	<b>7,710</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Creditors, accruals and other liabilities	10	1,098	1,254
Provisions	11	251	346
Lease liabilities	27	172	
Current tax liabilities	24	5	5
Derivatives	16	7	4
Contract liabilities	3	223	119
Borrowings	14	581	602
		2,337	2,330
Liabilities directly associated with assets held for sale	2.5	48	
<b>Total current liabilities</b>		<b>2,385</b>	
<b>Non-current liabilities:</b>			
Creditors, accruals and other liabilities	10	60	84
Provisions	11	26	18
Lease liabilities	27	1,549	
Deferred tax liabilities	24		2
Derivatives	16	13	8
Borrowings	14	1,210	1,095
Total non-current liabilities		2,858	1,207
<b>Total liabilities</b>		<b>5,243</b>	<b>3,537</b>
<b>Equity</b>			
Share capital	18	3,280	3,427
Reserves		220	714
Shareholders' funds		3,500	4,141
Non-controlling interests	19	35	32
<b>Total equity</b>		<b>3,535</b>	<b>4,173</b>
<b>Total liabilities and equity</b>		<b>8,778</b>	<b>7,710</b>

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

## Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	2020 NZ\$M	2019 NZ\$M
<b>Cash flow from operating activities</b>		
Receipts from customers	7,512	9,139
Dividends received	1	6
Payments to suppliers, employees and other	(6,957)	(8,836)
Interest paid	(146)	(128)
Income tax paid		(28)
<b>Net cash from operating activities</b>	<b>410</b>	<b>153</b>
<b>Cash flow from investing activities</b>		
Sale of property, plant and equipment	5	5
Sale of subsidiaries/investments	1	1,320
Sale of cash in subsidiaries		(37)
Purchase of property, plant and equipment and intangible assets	(240)	(348)
Purchase of subsidiaries/businesses		(26)
<b>Net cash from investing activities</b>	<b>(234)</b>	<b>914</b>
<b>Cash flow from financing activities</b>		
Issue of capital notes	100	100
Drawdown of borrowings	401	
Repayment of borrowings	(269)	(199)
Principal elements of lease payments	(171)	
Repurchase of shares	(147)	
Repurchase of capital notes	(220)	(181)
Distribution to non-controlling interests	(9)	(7)
Dividends	(128)	(68)
<b>Net cash from financing activities</b>	<b>(443)</b>	<b>(355)</b>
Net movement in cash held	<b>(267)</b>	712
Add: opening cash and cash equivalents	<b>1,372</b>	665
Effect of exchange rate changes on net cash	<b>(1)</b>	(5)
<b>Closing cash and cash equivalents</b>	<b>1,104</b>	<b>1,372</b>

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



# Notes to the Financial Statements 2020

## 1. Statement of accounting policies

### General information

The 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 2013 reporting entity in terms of the Financial Reporting Act 2013. The Group is a for-profit entity.

### Basis of presentation

These 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 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 financial statements.

### Changes in presentation

The Group has restated the comparative information included in the disclosure notes for significant items (note 2.1), earnings per share (note 2.4) and segmental information (note 4) to exclude the results of Formica and the Roof Tile Group discontinued operations. The comparative financial information for each business, including financial performance, cash flow performance, and assets and liabilities is disclosed as part of discontinued operations in the Group's consolidated financial statements for the year ended 30 June 2019.

### Accounting convention

The 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 all Group entities throughout all periods presented, except as disclosed below, "Changes in accounting policies".

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

### Critical accounting estimates and judgements

The preparation of 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 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. The 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 financial statements have been disclosed with the relevant notes in the financial statements are marked with this icon, or where applied to the financial statements as a whole, are detailed below.

### COVID-19

On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a global pandemic. COVID-19, as well as the measures introduced to slow the spread of the virus, have since had a significant impact on the global economy and the markets the Group operates in. The Group has considered the impact of COVID-19 and associated market volatility in preparing its financial statements.

#### New Zealand

In March 2020, the New Zealand Government announced the COVID-19 alert system (Levels 1-4) which specified the level of risk and restrictions that were to be followed. New Zealand entered alert 'Level 4' lockdown on 25 March 2020, which required mandatory nationwide suspension of all non-essential services. In full compliance with the 'Level 4' restrictions, the Group suspended almost the entirety of its business activities. On 27 April 2020, New Zealand moved to alert 'Level 3', permitting the Group to resume general operations with the requirement to comply with the Government's social distancing directions and guidelines still in place. The Government subsequently announced the move to alert 'Level 2' on 13 May 2020 and then alert 'Level 1' on 18 June 2020 with all restrictions on business activities removed.

#### Australia

On 22 March 2020, the Australian Government introduced social distancing measures aimed at stopping the transmission of COVID-19. Under the regime introduced, construction and construction related activities were permitted to operate subject to compliance with physical distancing requirements. As such, the Group continued its operations in Australia while complying with the Australian Government's social distancing and safety requirements.

## Notes to the Financial Statements 2020 (Continued)

### Impact of COVID-19 on the macroeconomic outlook

Forward-looking information, including an explanation of the scenarios considered in determining the Group's forward-looking assumptions for the purposes of its impairment and expected credit loss assessments, ('ECL') have been provided in notes 2.2 and 16.3 respectively. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, the Group considers that these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Key statements of balance sheet items and related disclosures that have been impacted by COVID-19 are as follows:

Category	Assessment	Notes
Debtors	The Group undertook a review of its trade debtor portfolio and applicable ECL provisions. The review considered the macroeconomic outlook, customer credit quality and the effect of payment deferral options as at the reporting date.	2.1, 16.3
Goodwill and brand impairment	The Group has considered the impact of COVID-19 on New Zealand and Australian macroeconomic outlook. Relative uncertainty around the short and long-term impact of the pandemic has been incorporated in the Group's forward looking assumptions.	2.1, 2.2
Finite life non-financial assets	Finite life assets, including property, plant and equipment, intangible assets and right-of-use assets, have been assessed for indicators of impairment. This assessment incorporated a consideration of COVID-19 as an indicator.	2.1
Inventories	The Group has performed a review of its inventory ranges and categories and how adverse macroeconomic outlook impacts realisability of inventory and its net realisable value.	2.1
Debt covenants	The Group has assessed the impact on its current and forecast performance against its debt covenant metrics. No covenant breaches have been identified as at 30 June 2020 nor at the time at which these financial statements were authorised for issue.	14
Long-term construction contracts	The Group has considered the impact of COVID-19 on the status of its long-term construction contracts, including the impact of restrictions introduced by the New Zealand Government in the period of March to June 2020 on the projects' progress and contract position as at the balance date.	2.6
Rent abatements	The Group has elected to adopt the COVID-19-Related Rent Concession practical expedient issued by New Zealand External Reporting Board in June 2020.	2, 2.1
Government grants	The Group received the funds from the New Zealand Government's wage subsidy scheme, income from the wage subsidy has been accounted for under NZ IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.	2.3

### Basis of consolidation

The consolidated financial statements comprise the Company, it's controlled entities and its interest in associates, partnerships and joint arrangements. Intercompany transactions 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.

### 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. The cumulative exchange variations would be reclassified subsequently to earnings if the overseas operation to which the reserve relates were to be 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 and liabilities in foreign currencies are translated at the exchange rates in effect when the amounts of these assets and liabilities were determined.

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<b>Working Capital Management</b>	
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Note	Description
<b>Funding and Financial Risk Management</b>	
Note 14	Borrowings
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Note 17	Dividends and shareholder tax credits
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Note 25	Retirement plans
Note 26	Share-based payments
Note 27	Impact of NZ IFRS 16 and other reclassifications
Note 28	Subsequent events

## 2. Key estimates and judgements

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

### Changes in accounting policies

The following sets out the new accounting standards and amendments to standards that were applicable to the Group from 1 July 2019.

### NZ IFRS 16 Leases

NZ IFRS 16 is effective for the Group from 1 July 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. NZ IFRS 16 replaces NZ IAS 17 and the related interpretations.

The Group adopted the modified retrospective approach on transition which resulted in a cumulative catch-up adjustment to equity as at 1 July 2019. The comparative information presented for the year ended 30 June 2019 has not been restated and therefore continues to be shown under NZ IAS 17. The Group's activities as a lessor are not material and therefore the Group has not recognised any changes to lessor accounting as a result of the transition to NZ IFRS 16.

Under NZ IFRS 16, a single lessee accounting model requires right-of-use assets and lease liabilities to be recognised in the balance sheet for most lease contracts at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type, location and duration of obligation.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charged and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a termination clause is reasonably certain not to be exercised. The Group has applied judgement to determine the discount rate applicable to each lease and the lease term for those lease contracts that include a renewal or termination option. The assessment of whether the Group is reasonably certain to either exercise a renewal option or not exercise a termination option significantly impacts the value of lease liabilities and right-of use assets recognised on the balance sheet.

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities adjusted for any lease payments made at or before commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements to the lease liabilities. Depreciation is calculated on a straight-line basis over the expected useful economic life of a lease which is taken as the lease term.

The Group applies both the short-term and low-value lease exemptions allowed under NZ IFRS 16 which recognises payments for leases of 12 months or less or leases of a low value on a straight-line basis as an expense in the income statement. The Group also adopted the following transition reliefs to:

## Notes to the Financial Statements 2020 (Continued)

- exclude the initial direct costs in the measurement of the right-of-use asset as at the date of initial application;
- use the benefit of hindsight to assist in the assumptions and judgements regarding renewals; and
- rely on previous assessments on whether leases are onerous.

Refer to note 27 for further information on the adoption and impact of NZ IFRS 16.

### COVID-19-Related Rent Concessions

In June 2020, the New Zealand Accounting Standards Board provided a practical expedient to NZ IFRS 16. The expedient permits Tier-1 and Tier-2 reporting entities not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions as lease modifications and, instead, to account for those rent concessions as reassessments. The Group has elected to adopt the expedient.

### NZ IFRIC 23

NZ IFRIC 23 is effective for the Group from 1 July 2019. NZ IFRIC Interpretation 23 "Uncertainty over income tax treatments" clarifies the recognition and valuation principles applicable to income tax risks. These risks arise when there is uncertainty related to a tax position adopted by the Group that could be challenged by the tax authorities. The Group has not identified any material impact to the financial statements at 1 July 2019 following the implementation of NZ IFRIC 23.

There are no other new standards, updates and interpretations published and effective whose impact could be significant for the Group.

## 2.1 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 helpful information on the performance of the business. The non-GAAP measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Audit and Risk Committee.

The Group makes certain significant item adjustments to the statutory profit measures in order to derive many of these non-GAAP measures. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following items were included within significant items for the year ended 30 June 2020:

- 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 adverse events that have material effect on the Group's financial performance and financial position.
- 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 where a commitment to close has been demonstrated.

As a direct consequence of COVID-19 and its impact on the New Zealand and Australian business activities, the Group has undertaken a number of initiatives to prepare for an expected downturn in market conditions in FY21 and potentially beyond. An announcement was made to the market on 20 May 2020 outlining restructuring plans. Implementation of the programme in May and June 2020 resulted in the Group incurring restructuring and property rationalisation costs and asset impairment charges, these have been classified by the Group as significant items, as outlined below:

2020	Restructuring activity (1) NZ\$M	Property rationalisation (2) NZ\$M	Impairment of assets (3) NZ\$M	Total NZ\$M
Building Products	(6)	(3)	(10)	(19)
Distribution	(9)	(3)	(6)	(18)
Concrete	(5)	(5)	(3)	(13)
Residential and Development	(1)			(1)
Construction	(8)	(3)	(2)	(13)
Australia	(32)	(33)	(101)	(166)
Other	(32)	(1)	(13)	(46)
<b>Total significant items before taxation</b>	<b>(93)</b>	<b>(48)</b>	<b>(135)</b>	<b>(276)</b>
Tax benefit on above items	24	15	38	77
<b>Total significant items after taxation</b>	<b>(69)</b>	<b>(33)</b>	<b>(97)</b>	<b>(199)</b>



### (1) Restructuring activity

#### *Business restructure (\$63m)*

The Group announced its restructuring strategy in New Zealand and Australia on 20 May 2020, implementation of the restructure plan has resulted in the Group recognising a \$63 million provision in relation to redundancy and other associated costs.

#### *Funding restructure (\$30m)*

On 29 June 2020, the Group provided notice to the US private placement noteholders ('USPP') of the intention to prepay A\$99 million and US\$200 million of notes on issue with original maturities of 2022 and 2024. The prepayment of the private placement borrowings is part of a revised funding strategy reflecting the requirement to reduce funding costs as the Group enters a period of uncertainty. The Group recognised a significant item cost of \$30 million in the income statement related to the make whole component of the prepayment as governed by the private placement borrowing agreement. This cost is partially offset by the impact of related debt hedging activities. The USPP make whole (net of hedging benefits) has been included as a significant item on the basis that it is a transaction resulting from a change to the Group's funding strategy which has had significant impact on the Group's profit.

### (2) Property rationalisation

As part of its organisational reset process, the Group has reviewed its operational property footprint, with an intention to identify and exit office, warehouse and depot leases in order to rationalise property requirements. Property rationalisation costs primarily relate to recognition of impairment on right-of-use assets, make good costs and losses incurred on early termination of leases. Property rationalisation costs were partially offset by gains recognised on COVID-19 related rent concessions.

### (3) Impairment of assets

The Group has recognised a number of charges in the year associated with reductions to the carrying values of the following asset categories:

#### *Property, plant and equipment and intangible assets (\$97m)*

Uncertainty in the market conditions has been determined as an indicator of impairment for the Group's property, plant and equipment and finite life intangible assets. For such assets, testing has been performed to assess the recoverability of the asset values. Impairment charges were recognised where the recoverable value of the assets did not support their carrying value. Details of impairment charges recognised in the year are disclosed in notes 12 and 13.

#### *Inventory (\$32m)*

The Group has recognised charges in the year associated with the write down of inventory. These write downs relate to the discontinuation of certain product ranges and disposal of inventory held at closed sites, distribution centres and warehouses.

#### *Expected credit losses (\$6m)*

The Group estimated its ECL as at 30 June 2020 based on a range of forecast economic conditions. COVID-19 has had a significant impact on economic scenarios used by the Group to determine the ECL, with the probability of an adverse economic scenario in the near term estimated as high. As such the Group recognised a significant item charge of \$6 million that reflects expected deterioration of its customers' portfolio credit quality.

For more details on key assumptions and estimates used in the ECL assessment, please refer to note 16.3.

2019	Restructuring activity NZ\$M	Total NZ\$M
Building Products	(10)	(10)
Australia	(78)	(78)
Corporate	(6)	(6)
<b>Total significant items before taxation</b>	<b>(94)</b>	<b>(94)</b>
Tax benefit on above items	27	27
<b>Total significant items after taxation</b>	<b>(67)</b>	<b>(67)</b>

### Restructuring activity

The Group had recognised a charge of \$94 million for restructuring costs, \$78 million of which is in Australia, associated with the restructure of various businesses across the Group as an extension of the strategic reset that began in FY18. The restructuring includes redundancies and property exit costs, as well as associated advisory costs incurred.

## Notes to the Financial Statements 2020 (Continued)

### 2.2 INTANGIBLE ASSET IMPAIRMENT TESTING

Goodwill and brands were tested for impairment in June 2020. Each cash generating unit (CGU) that carries goodwill or brands is valued on a value-in-use or fair value less costs of disposal basis using a discounted cash flow model. Management has used its past experience of sales growth, operating costs and margin, and external sources of information where appropriate, to determine their expectations 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. The terminal growth rate used was 1.75% (2019: 2.5%).

#### COVID-19

In response to COVID-19 the Group undertook a review of key assumptions in estimating carrying values of relevant CGUs. The review considered the impact of the COVID-19 pandemic on overall macroeconomic outlook, the Group's market segments and projected discount and growth rates as at the reporting date. While these model inputs, including forward-looking information, were revised overall, valuation methodology remained consistent with prior periods.

#### New Zealand and South Pacific CGU's

The goodwill and brand balances for the 15 New Zealand and South Pacific CGU's represent 46% of the total balance for the Group. The cash flows are discounted using a nominal rate specific to each business and jurisdiction. New Zealand businesses have employed discount rates between 8.0% and 10.0% (2019: between 8.0% and 9.0%), and the South Pacific business has employed a discount rate of 18.5% (2019: 18.5%), reflecting the risk profile of each business and for the regions in which the CGUs operate.

#### Sensitivity to reasonably possible changes in assumptions

The impairment assessment confirmed that, for these business units, the recoverable amounts exceed carrying values as at 30 June 2020. Based on current economic conditions and performances of New Zealand and South Pacific CGUs, no reasonably possible change in a key assumption used in the determination of the recoverable value of CGUs would result in a material impairment to the Group.

#### Australia CGU's

The goodwill and brand balances for the four Australia CGU's represent 54% of the total balance for the Group. The cash flows are discounted using a nominal rate specific to each business. Australian business units employed a discount rate of 8.1% (2019: between 8.0% and 9.0%), reflecting the risk profile of each business and for the region in which the CGUs operate.

#### Sensitivity to reasonably possible changes in assumptions

Throughout the current financial year the Australian economy, particularly the residential market, has experienced a significant downturn. The Laminex Australia and Tradelink business units have been particularly impacted by this downturn, which has impacted the forecast cash flows used to assess the carrying value of each CGU.

Group and divisional management completed a comprehensive strategic review of the Australia division during the year and identified a number of strategic initiatives for the near to medium term to set the business units up for long-term margin growth. A number of these initiatives have been implemented during the current financial year, however, the benefits of these will be achieved over the longer-term and are, in part, dependent on the recovery of the Australian economy and residential market.

The key assumptions used in the impairment tests for the significant business units of Laminex Australia and Tradelink are outlined below. No impairment was recognised during the financial year, however, a change in any of the key assumptions would lead to the elimination of the excess of recoverable amount over carrying amount.

#### Laminex Australia (representing 28% of Group goodwill and brands balances)

Key assumption	Value attributed	Sensitivity (absolute movement)
Revenue growth (5-year Cumulative Average Growth Rate (CAGR))	5.0%	Decrease by 1.2 ppts
EBIT margin (5-year average)	7.0%	Decrease by 0.3 ppts
Terminal growth rate	1.75%	Decrease by 1.0 ppts
Discount rate	8.1%	Increase by 0.8 ppts

### Tradelink (representing 11% of Group goodwill and brands balances)

Key Assumption	Value attributed	Sensitivity (absolute movement)
Revenue growth (5-year Cumulative Average Growth Rate (CAGR))	4.70%	Decrease by 4.6 ppts
EBIT margin (5-year average)	2.40%	Decrease by 0.4 ppts
Terminal growth rate	1.75%	Decrease by 1.2 ppts
Discount rate	8.10%	Increase by 1.3 ppts

### Other CGU's

Based on current economic conditions and CGU performances, no reasonably possible change in a key assumption used in the determination of the recoverable value of Australian CGUs would result in a material impairment to the Group.

## 2.3 SUPPLEMENTARY DISCLOSURES: GOVERNMENT GRANTS

On 17 March 2020, the New Zealand government announced the implementation of a wage subsidy scheme. The Group met the eligibility criteria requirements of the scheme and \$68 million was received by the Group for the period from March to June. The funds received by the Group were used to mitigate employee-related costs during the eligibility period through the Group's 'Bridging Pay Programme'. Over 8,600 employees participated in the 'Bridging Pay Programme' which is more than 90% of the Group's New Zealand-based employees.

Funds received as part of the wage subsidy scheme have been accounted for in line with NZ IAS 20 – Government Grants and Disclosure of Government Assistance. The Group has elected to present income received from the wage subsidy as an offsetting deduction to its employee costs. Funds received as part of the scheme have no unfulfilled conditions or other attached contingencies as at 30 June 2020. The Group had not materially benefitted from any other forms of government assistance during the reporting period.

## 2.4 SUPPLEMENTARY DISCLOSURES: EARNINGS PER SHARE

Earnings per share is disclosed in full in note 5. 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 from continuing operations is as follows:

	2020 NZ\$M	2019 NZ\$M
Net earnings/(loss) after taxation from continuing operations (as per income statement)	(196)	246
Add back: Significant items after taxation (note 2.1)	199	67
Net earnings before significant items	3	313
Net earnings per share before significant items from continuing operations (cents)	0.4	36.7
<b>Net earnings per share - as per income statement (cents)</b>	<b>(23.5)</b>	<b>28.8</b>

## 2.5 ASSETS HELD FOR SALE

### Rocla Pty Limited

On 19 February 2020, the Group publicly announced the decision of its Board of directors to sell the Rocla pipes and precast business, a wholly owned subsidiary reported under the Australia segment. The divestment process was suspended on 25 March 2020 as a response to COVID-19, and was recommenced on 1 June 2020. The sale of the Rocla business is expected to be completed within a year from the reporting date. At 30 June 2020, the Rocla business was classified as a disposal group held for sale, therefore depreciation of the assets held for sale ceased from 1 June 2020. The summary of the Rocla business assets included as held for sale and liabilities included as associated with held for sale as at 30 June 2020 are presented below:

Assets	2020 NZ\$M
Property, plant and equipment	118
Right-of-use assets	6
Inventories	50
Debtors	30
Assets held for sale	<b>204</b>

## Notes to the Financial Statements 2020 (Continued)

	2020 NZ\$M
<b>Liabilities</b>	
Creditors, accruals and other liabilities	28
Provisions	13
Lease liabilities	7
Liabilities directly associated with assets held for sale	48
<b>Net assets directly associated with disposal group</b>	<b>156</b>

### 2.6 SUPPLEMENTARY DISCLOSURES: CONSTRUCTION ACCOUNTING

The Construction division is engaged by customers to construct and maintain buildings and infrastructure across New Zealand and the South Pacific. The Group recognised significant provisions within the division as a number of these construction contracts were loss making. These projects were determined to be onerous contracts and the related provisions are disclosed in note 11.

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. The Group's policies for accounting for such projects are outlined below, and demonstrate the significant judgements made. Contract assets and liabilities arising from construction work in progress at year end are disclosed below.

A summary of total contracted work under construction and details of the major construction projects and their approximate stage of completion is disclosed to demonstrate the uncertainty that remains on these projects.

#### 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 building of several projects. Where this occurs, the Group will identify the single or multiple performance obligations and allocate the total contract price across each performance obligation based on stand-alone selling prices. The contract price is normally fixed at the start of the project.

The nature of construction projects leads to variations in the project size and scope. It is also normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the Group, with the Group having a right to payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

###### *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 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 the amount becomes highly probable and is approved by the Board of directors.

#### Construction work-in-progress - Contract assets, contract liabilities, and provisions for onerous contracts

Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method and represent the value of work carried out during the year, 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. 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. The cost contingencies 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 end of the project.

Margin on the contract is not recognised until the outcome of the contract can be reliably estimated. The Group uses its professional judgement to assess both the physical completion and the forecast financial result of the contract. When a contract is identified as loss-making, a provision is made for estimated future losses on the entire contract.

Construction work in progress is stated at cost plus profit recognised to date, less progress billings. Cost includes 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.

Estimates and judgements are made relating to a number of factors when assessing construction contracts. These primarily include the programme of work throughout the contract period, assessment of future costs after considering changes in the scope of work, maintenance and defect liabilities, expected inflation (for unlet sub-trades) and performance bonuses or penalties.

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;
- Sub-contractor cost, in particular cost that is yet to be agreed in scope or price (including inflationary pressures) or that relating to programme prolongation;
- The outcome of ongoing commercial negotiations, including elements of variable consideration and changes in project scope; and
- Future weather and ground conditions.

#### Status of construction projects (> \$200 million original contract value) as at 30 June 2020:

	Business unit	Percentage of completion (% cost)	Forecast completion
Commercial Bay - Fixed price contract	Buildings	96%	2020
NZICC - Guaranteed maximum price and fixed price contract	Buildings	82%	2023
Puhoi to Warkworth - Fixed price contract (Public Private Partnership)	Infrastructure	63%	TBC
Hamilton City Edge Expressway - Alliance contract	Infrastructure/Higgins	76%	TBC
Peka Peka to Otaki Expressway - Fixed price contract	Infrastructure/Higgins	55%	TBC

#### Revenue Backlog by Business unit as at 30 June 2020:

	Current Revenue Backlog NZ\$M	Top 5 projects as a % of Revenue Backlog
Buildings	352	100%
Infrastructure	1,156	46%
Brian Perry Civil	762	8%
Higgins	545	33%
South Pacific	114	83%
	2,929	N/A

Revenue backlog refers to the level of construction work the Group is contracted to but is not yet complete at year end. This represents the performance obligations that are yet to be completed for the construction contracts active at the end of the year. The long-term nature of the contracts held by the Buildings, Infrastructure and Higgins businesses will see these performance obligations be completed over a period generally between one to five years, although some may extend longer. The Buildings, Infrastructure, Brian Perry Civil, and South Pacific businesses have contracts that are either short-term in nature or are nearing completion with those performance obligations likely to be settled within the next 12 months.



## Notes to the Financial Statements 2020 (Continued)

### New Zealand International Convention Centre (NZICC)

On 22 October 2019 there was a significant fire at the NZICC project construction site causing damage to both the International Convention Centre and Hobson Street Hotel.

Contract Works and Third-Party Liability insurances are in place on the project, and the Fletcher Construction Company Limited is an insured party under these policies.

The Third-Party Liability insurance policy is responding where legal liability exists and cases are being reviewed and approved for payment on a claim-by-claim basis. There are no legal proceedings in respect of this matter that require additional provision in these financial statements.

The NZICC project continues to be accounted for under NZ IFRS 15: Revenue from Contracts with Customers and NZ IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The Group has assessed all relevant known facts and circumstances related to the estimation of cost to complete and insurance recoveries and concluded based on current information that there is no impact to the NZICC forecast project loss as a result of the fire. The assessment required key judgments and estimates (including an assessment of the cost to complete remediation, the likelihood of receipt of insurance recoveries and quantification of any claims and costs that it is probable insurance will not cover) and as such is subject to change as the project progresses.

## Financial Review

This section explains the results and performance of the Group, including the segmental analysis, details of significant items, 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 residential property
- 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 are 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 residential projects*

Through the Residential and Development division the Group derives income from the sale of completed houses, construction type projects for enabling or utilities works for large developments, and the sale of development sites surplus to Group requirements. Revenue is recognised when control passes to the customer for each type of transaction. House sales are commonly recognised at the time of settlement, when title passes to the customer and payment is received. Enabling or utilities works are recognised over time using a percentage of completion method. 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 from Group inventory to a customer is a single performance obligation, as houses are not constructed under contract from a customer. For works contracts and development sales, the division reviews the terms of the sale to determine whether the performance obligations are distinct and separately identifiable.

2020	Sale of Building Products and Materials	Development and Sale of Residential Properties	Construction Contract Revenue	Maintenance Contract Revenue	Total
Goods and services transferred at a point in time	5,588	460			6,048
Goods and services transferred over time			760	501	1,261
<b>Total revenue from contracts with customers</b>	<b>5,588</b>	<b>460</b>	<b>760</b>	<b>501</b>	<b>7,309</b>

## Notes to the Financial Statements 2020 (Continued)

2019	Sale of Building Products and Materials	Development and Sale of Residential Properties	Construction Contract Revenue	Maintenance Contract Revenue	Total
Goods and services transferred at a point in time	6,047	639			6,686
Goods and services transferred over time			1,095	527	1,622
<b>Total revenue from contracts with customers</b>	<b>6,047</b>	<b>639</b>	<b>1,095</b>	<b>527</b>	<b>8,308</b>

### 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 for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as Contract Liabilities.

### 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

	2020 NZ\$M	2019 NZ\$M
Construction contracts with cost and margin in advance of billings	69	40
Contract assets	69	40
Construction contracts with billings in advance of cost and margin	223	119
Contract liabilities	223	119

## 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. The results of the previous Steel division have been consolidated into Building Products division as announced during the year ended 30 June 2019.

### Industry segments

	2020 NZ\$M Gross revenue	2019 NZ\$M Gross revenue	2020 NZ\$M External revenue	2019 NZ\$M External revenue
Building Products	1,173	1,314	922	1,013
Distribution	1,471	1,596	1,440	1,552
Concrete	740	802	503	549
Residential and Development	466	639	460	639
Construction	1,318	1,702	1,261	1,622
Australia	2,802	3,024	2,723	2,933
Other	10	11		
Group	7,980	9,088	7,309	8,308
Less: intercompany revenue	(671)	(780)		
Group external revenue	7,309	8,308	7,309	8,308

	2020 NZ\$M EBIT before significant items	2019 NZ\$M EBIT before significant items	2020 NZ\$M Funds*	2019 NZ\$M Funds*
Building Products	87	160	678	723
Distribution	85	104	209	300
Concrete	74	84	607	656
Residential and Development	65	137	604	651
Construction	(147)	47	50	48
Australia	33	57	1,494	1,735
Corporate	(37)	(40)	(107)	60
Group	160	549	3,535	4,173

\* 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. Funds are managed at a divisional level.

	Depreciation, depletion and amortisation expense	Depreciation, depletion and amortisation expense	Capital expenditure	Capital expenditure
Building Products	53	17	53	55
Distribution	47	10	21	23
Concrete	74	50	50	65
Residential and Development	3		3	7
Construction	40	21	32	31
Australia	135	62	65	91
Corporate	18	14	8	13
Group	370	174	232	285

## Geographic segments

	External revenue	External revenue	EBIT before significant items	EBIT before significant items
New Zealand	4,466	5,220	110	467
Australia	2,740	2,944	42	54
Other jurisdictions	103	144	8	28
Group	7,309	8,308	160	549
Significant items (note 2.1)			(276)	(94)
Earnings before interest and taxation (EBIT)			(116)	455

	Non-current assets*	Non-current assets*	Funds*	Funds*
New Zealand	2,836	1,895	2,221	2,405
Australia	1,670	1,359	1,495	1,752
Other	53	45	83	85
Debt and taxation			(264)	(69)
Group	4,559	3,299	3,535	4,173

\* 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 Financial Statements 2020 (Continued)

### 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 and commercial markets in New Zealand.
<b>Distribution</b>	The Distribution division consists of building, plumbing, and pipeline 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 and concrete. The division operates in New Zealand.
<b>Residential and Development</b>	The Residential and Development division operates both in New Zealand and Australia and involves building and sale of residential homes in New Zealand and development and sale of commercial and residential land in Australia and New Zealand. Development activity includes sale of land property portfolio which are surplus to the Group's operating requirements.
<b>Construction</b>	The Construction division is a builder and maintainer of commercial buildings and infrastructure across New Zealand and the South Pacific.
<b>Australia</b>	The Australia division manufactures and distributes building materials for a broad range of industries across Australia.

### 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 excluding 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. Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued but unpaid interest.

	2020	2019
Net earnings per share from continuing operations (cents)		
Basic	(23.5)	28.8
Diluted	(23.5)	27.7
<b>Numerator (continuing operations)</b>	<b>NZ\$M</b>	<b>NZ\$M</b>
Net earnings/(loss) from continuing operations	(196)	246
Numerator for basic earnings per share from continuing operations	(196)	246
Dilutive capital notes distribution		17
<b>Numerator for diluted net earnings per share</b>	<b>(196)</b>	<b>263</b>
<b>Denominator (millions of shares)</b>		
Weighted average number of shares outstanding (refer to note 18)	835	853
Conversion of dilutive capital notes		98
<b>Denominator for diluted net earnings per share</b>	<b>835</b>	<b>951</b>

### 6. INCOME STATEMENT DISCLOSURES

	2020 NZ\$M	2019 NZ\$M
The following items are specific disclosures required to be made and are included within the income statement:		
Net periodic pension cost	2	1
Employee related short-term costs <sup>(1) (2)</sup>	1,332	1,604
Other long-term employee related benefits	58	57
Research and development expenditure	1	5
Amortisation of intangibles	24	19
Bad debts written off	5	6
Donations and sponsorships	1	2
Maintenance and repairs	143	171

<sup>(1)</sup> Short-term employee benefits for the executive committee included in the above is disclosed in note 21.

<sup>(2)</sup> Employee related short-term costs include offsetting income from government grants, as disclosed in note 2.3.



## Auditor's remuneration

	NZ\$000's	NZ\$000's
Audit and review of the financial statements <sup>(1)</sup>	2,858	3,132
Audit services associated with Formica sale process		770
Total audit and assurance services	2,858	3,902
Tax services		369
Other non-assurance services	14	23
Total non-assurance services	14	392
<b>Total auditor remuneration</b>	<b>2,872</b>	<b>4,294</b>

<sup>(1)</sup> The audit includes fees for both the annual audit of the financial statements and the review of the interim financial statements.

## 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 or other financial institutions and highly liquid investments that are readily convertible to cash.

Cash and cash equivalents include the Group's share of amounts held by joint operations of \$102 million (2019: \$28 million).

At 30 June 2020, approximately \$19 million (2019: \$30 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.

	2020 NZ\$M	2019 NZ\$M
Cash and bank balances	503	189
Contract retention bank balances	24	23
Short-term deposits	577	1,160
	<b>1,104</b>	<b>1,372</b>

### Reconciliation of net earnings to net cash from operating activities

	2020 NZ\$M	2019 NZ\$M
Net earnings	(196)	164
Earnings attributable to minority interest	12	13
	(184)	177
Add/(Less) non-cash items:		
Depreciation, depletions and amortisation	370	199
Other non-cash items	240	108
Taxation	(81)	74
Loss/(gain) on disposal of businesses and property, plant and equipment	7	(1)
	<b>536</b>	<b>380</b>
<b>Net working capital movements</b>		
Residential and Development	50	(26)
Construction	(19)	(276)
Other divisions:		
Debtors	95	26
Inventories	(1)	(69)
Creditors	(67)	(59)
	<b>58</b>	<b>(404)</b>
<b>Net cash from operating activities</b>	<b>410</b>	<b>153</b>

## Notes to the Financial Statements 2020 (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 impairment policies and the calculation of the loss allowance are provided in note 16.3.

	2020 NZ\$M	2019 NZ\$M
Trade debtors	746	834
Contract debtors	69	209
Contract retentions	35	42
Less provision for doubtful debts	(25)	(15)
Trade and contract debtors	825	1,070
Other receivables	216	228
	1,041	1,298
Current	739	919
0 - 30 days over standard terms	75	121
31 - 60 days over standard terms	6	14
61+ days over standard terms	30	31
Provision	(25)	(15)
Trade and contract debtors	825	1,070

#### 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.

#### Impairment and risk exposure

Information about the impairment of trade receivables and the group's exposure to credit risk and foreign currency risk can be found in note 16.3.

### 9. INVENTORIES, INCLUDING LAND AND DEVELOPMENTS

#### Raw materials, work in progress and finished goods

Raw materials and 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 necessary to make the sale.

#### Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development costs during development.

	2020 NZ\$M	2019 NZ\$M
Raw materials	364	472
Work in progress	377	216
Finished goods	736	877
Consumable stores and spare parts	39	39
	1,516	1,604
Inventories held at cost	1,192	1,325
Inventories held at net realisable value	324	279
	1,516	1,604
Current portion	1,215	1,340
Non-current portion	301	264
	<b>1,516</b>	<b>1,604</b>

#### *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 \$367 million, 2019: \$408 million).

The Group also has unconditional commitments for the purchase of land to be used for residential construction totalling \$257 million (2019: \$257 million), of which \$77 million is expected to be delivered in the year to 30 June 2021 (June 2019: \$71 million).

## 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.

	2020 NZ\$M	2019 NZ\$M
Trade creditors	609	761
Contract retentions	30	37
Accrued interest	30	29
Other liabilities	326	319
Employee entitlements	154	184
Workers' compensation schemes	9	8
	1,158	1,338
Current portion	1,098	1,254
Non-current portion	60	84
Carrying amount at the end of the year	<b>1,158</b>	<b>1,338</b>

The non-current portion of creditors and accruals relates to long service employee entitlement obligations and unconditional deferred land payments.

## Notes to the Financial Statements 2020 (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 a reliable estimate can be made of the amount of the obligation.

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 of the expenditure required to settle the present obligation at the end of the reporting period. 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 & 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, none of which are individually material.

	Restructuring NZ\$M	Warranty & environmental NZ\$M	Onerous contracts NZ\$M	Other NZ\$M	Total NZ\$M
<b>2020</b>					
Carrying amount at the beginning of the year	32	34	264	34	364
Currency translation					
Charged to earnings	75	2	150	33	260
Settled or utilised	(45)	(10)	(252)	(20)	(327)
Released to earnings	(1)	(4)		(2)	(7)
Classified as held for sale	(13)				(13)
	<b>48</b>	<b>22</b>	<b>162</b>	<b>45</b>	<b>277</b>
<b>2019</b>					
Carrying amount at the beginning of the year	30	39	497	45	611
Currency translation	(1)	(1)			(2)
Charged to earnings	22	12		15	49
Settled or utilised	(12)	(10)	(233)	(21)	(276)
Released to earnings	(5)	(4)		(2)	(11)
Disposal of business	(2)	(2)		(3)	(7)
	<b>32</b>	<b>34</b>	<b>264</b>	<b>34</b>	<b>364</b>
				<b>2020 NZ\$M</b>	<b>2019 NZ\$M</b>
Current portion				251	346
Non-current portion				26	18
Carrying amount at the end of the year				<b>277</b>	<b>364</b>

During the year the Group utilised \$45 million (2019: \$12 million) in respect of restructuring obligations at certain businesses. The remaining balance is expected to be utilised within the next 12 months. Warranty and environmental provisions are expected to be utilised over the next three years.

## Long-term Investments

This section details the long-term assets of the Group including Property, Plant and Equipment and Intangible Assets.

### 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. Assets are reviewed annually for impairment indicators.

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 profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment and amortisation of definite life intangible assets are calculated on the straight-line method. Refer to note 13 for details of intangible assets. 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
Intangible assets, including software (note 13)	5–15 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.

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 profit or loss.

	Land NZ\$M	Buildings NZ\$M	Plant & Machinery NZ\$M	Fixtures & Equipment NZ\$M	Resource Extraction NZ\$M	Leased Assets NZ\$M	Total NZ\$M
<b>2020</b>							
Carrying value at 1 July 2019	181	204	1,074	162	95	38	1,754
Additions	8	10	131	33	12		194
Disposals	(1)		(11)				(12)
Depreciation expense		(10)	(111)	(28)	(12)		(161)
Impairment		(12)	(57)	(6)			(75)
Transfer of assets to inventory	(5)						(5)
Transfer of assets to right of use						(38)	(38)
Assets held for sale	(50)	(37)	(25)	(6)			(118)
Currency translation	3	3	8	2			16
<b>Carrying value at 30 June 2020</b>	<b>136</b>	<b>158</b>	<b>1,009</b>	<b>157</b>	<b>95</b>		<b>1,555</b>
<b>Represented by:</b>							
Cost	137	283	2,214	412	125		3,171
Accumulated depreciation and impairment	(1)	(125)	(1,205)	(255)	(30)		(1,616)
	<b>136</b>	<b>158</b>	<b>1,009</b>	<b>157</b>	<b>95</b>		<b>1,555</b>



## Notes to the Financial Statements 2020 (Continued)

2019	Land NZ\$M	Buildings NZ\$M	Plant & Machinery NZ\$M	Fixtures & Equipment NZ\$M	Resource Extraction NZ\$M	Leased Assets NZ\$M	Total NZ\$M
Carrying value at 1 July 2018	255	320	1,368	171	77	40	2,231
Additions	8	11	238	33	15		305
Acquisitions			4		14		18
Disposals	(6)	(19)					(25)
Depreciation expense		(12)	(125)	(30)	(11)	(2)	(180)
Transfer of assets to inventory	(19)	(3)					(22)
Disposal of business	(51)	(88)	(397)	(9)			(545)
Currency translation	(6)	(5)	(14)	(3)			(28)
<b>Carrying value at 30 June 2019</b>	<b>181</b>	<b>204</b>	<b>1,074</b>	<b>162</b>	<b>95</b>	<b>38</b>	<b>1,754</b>
<b>Represented by:</b>							
Cost	182	330	2,280	422	132	43	3,389
Accumulated depreciation and impairment	(1)	(126)	(1,206)	(260)	(37)	(5)	(1,635)
	<b>181</b>	<b>204</b>	<b>1,074</b>	<b>162</b>	<b>95</b>	<b>38</b>	<b>1,754</b>

As at 30 June 2020 property, plant and equipment includes \$133 million of assets under construction that are not depreciated until they are commissioned and brought into use (2019: \$145 million).

### 13. 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 (CGUs) 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 earnings immediately.

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 models include the expected rate of growth of revenues and earnings, the terminal growth rate and the appropriate discount rate to apply.

2020	Goodwill NZ\$M	Brands NZ\$M	Other Intangibles NZ\$M	Total NZ\$M
Carrying value at the beginning of the year	711	278	140	1,129
Acquired during the year			39	39
Impairments in the income statement (Note 2.1)	(10)	(1)	(11)	(22)
Amortisation expense			(24)	(24)
Currency translation	7	4		11
	<b>708</b>	<b>281</b>	<b>144</b>	<b>1,133</b>
<i>Represented by:</i>				
Cost	708	360	333	1,401
Accumulated impairment / amortisation		(79)	(189)	(268)
<b>Carrying value at the end of the year</b>	<b>708</b>	<b>281</b>	<b>144</b>	<b>1,133</b>

2019	Goodwill NZ\$M	Brands NZ\$M	Other Intangibles NZ\$M	Total NZ\$M
Carrying value at the beginning of the year	1,085	451	160	1,696
Acquired during the year	7		43	50
Disposed of during the year				
Impairments in the income statement (Note 2.1)			(3)	(3)
Amortisation expense			(19)	(19)
Disposal of business	(369)	(165)	(37)	(571)
Currency translation	(12)	(8)	(4)	(24)
	<b>711</b>	<b>278</b>	<b>140</b>	<b>1,129</b>
<i>Represented by:</i>				
Cost	711	357	294	1,362
Accumulated impairment/amortisation		(79)	(154)	(233)
<b>Carrying value at the end of the year</b>	<b>711</b>	<b>278</b>	<b>140</b>	<b>1,129</b>

As at 30 June 2020 other intangible assets include \$26 million of assets being developed (2019: \$39 million).

	2020		2019	
	Goodwill NZ\$M	Brands NZ\$M	Goodwill NZ\$M	Brands NZ\$M
<b>Significant intangible balances within cash generating units (CGUs)</b>				
Laminex Australia	154	122	154	119
Higgins New Zealand	114	19	114	19
Iplex New Zealand	105	7	105	7
Stramit	61	41	66	41
Tradelink	61	51	60	50
Other	213	41	212	42
	<b>708</b>	<b>281</b>	<b>711</b>	<b>278</b>

The goodwill allocated to significant CGUs accounts for 70% (2019: 70%) of the total carrying value of goodwill. The remaining 'other' CGUs, which comprise 14 (2019: 14) in total, are each less than 7% of total carrying value. The significant brand assets account for 85% (2019: 85%) of the total carrying value of brands. The remaining 'other' brand assets are each less than 5% of total carrying value (2019: 5%).

## Notes to the Financial Statements 2020 (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, issue new shares or sell assets to reduce net debt.

The Group monitors its capital requirements using various measures that consider debt facility covenants. 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. During the year, the target leverage ratio range was adjusted to reflect the impacts associated with the inclusion of debt hedging activities and the adoption of NZ IFRS 16. The adjusted target leverage ratio range is 1.0 to 2.0 times (2019: 1.5 to 2.5 times). It is intended that the Group will not be materially outside the target leverage ratio range on a long-term basis.

On the 10 June 2020, the Group agreed amendments to its syndicate and private placement borrowing arrangements which will enable the Group to rely on more favourable terms for covenant testing for the period June 2020 to December 2021 (inclusive). Under the agreement, the Group may elect to rely on a level of Total Interest Cover ratio of 1.5 times (normally 2.0 times) and a level of Senior Interest Cover ratio of 2.25 times (normally 3.0 times). The Group has agreed that, should it need to rely on the more favourable covenant levels, it will not pay a dividend until it returns to compliance with, and agrees to be tested by, normal covenant levels.

The Group was in compliance with all debt facility financial covenants as at the balance date.

The Group has not sought and does not hold a credit rating from an accredited rating agency.

#### 14. 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 15.

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 foreign forward 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 16.

#### 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.

	2019 NZ\$M	Cash Flows	Currency translation	Reclassified to lease liabilities	Other non-cash movements (including hedge accounting)	2020 NZ\$M
Private placements	886	(8)	35		88	1,001
Bank loans	258	142				400
Capital notes	485	(120)				365
Other loans	68	2	(2)	(44)	1	25
<b>Carrying value of borrowings (as per balance sheet)</b>	<b>1,697</b>	<b>16</b>	<b>33</b>	<b>(44)</b>	<b>89</b>	<b>1,791</b>
Less: value of derivatives used to manage changes in hedged risks on debt instruments	(107)	(4)	(22)		(57)	(190)
<b>Economic debt</b>	<b>1,590</b>	<b>12</b>	<b>11</b>	<b>(44)</b>	<b>32</b>	<b>1,601</b>
Less: Cash and cash equivalents	(1,372)	267	1			(1,104)
<b>Net debt</b>	<b>218</b>	<b>279</b>	<b>12</b>	<b>(44)</b>	<b>32</b>	<b>497</b>

	2018 NZ\$M	Cash Flows	Currency translation	Reclassified to lease liabilities	Other non-cash movements (including hedge accounting)	2019 NZ\$M
Private placements	1,181	(334)	6		33	886
Bank loans	97	165	(4)			258
Capital notes	566	(81)				485
Other loans	94	(30)	3		1	68
<b>Carrying value of borrowings (as per balance sheet)</b>	<b>1,938</b>	<b>(280)</b>	<b>5</b>		<b>34</b>	<b>1,697</b>
Less: value of derivatives used to manage changes in hedged risks on debt instruments	(61)	12	(25)		(33)	(107)
<b>Economic debt</b>	<b>1,877</b>	<b>(268)</b>	<b>(20)</b>		<b>1</b>	<b>1,590</b>
Less: Cash and cash equivalents	(665)	(712)	5			(1,372)
<b>Net debt</b>	<b>1,212</b>	<b>(980)</b>	<b>(15)</b>		<b>1</b>	<b>218</b>

**Carrying value of borrowings included within the balance sheet as follows:**

	2020 NZ\$M	2019 NZ\$M
Current borrowings	581	602
Non-current borrowings	1,210	1,095
<b>Total borrowings</b>	<b>1,791</b>	<b>1,697</b>
Less: Cash and cash equivalents	(1,104)	(1,372)
<b>Net debt (as per balance sheet)</b>	<b>687</b>	<b>325</b>

At reporting date, the Group had the following funding facilities:

Utilised facilities	1,601	1,590
Unutilised syndicate bank loan facilities	525	667
<b>Total facilities</b>	<b>2,126</b>	<b>2,257</b>

### Private placements

Private placements comprise loans of AUD99 million, USD446 million, CAD15 million, EUR41 million and GBP10 million with original maturities between 2022 and 2028.

On 29 June 2020, the Group provided notice to private placement noteholders to prepay AUD99 million and USD200 million of notes on issue with original maturities of 2022 and 2024. As a result, \$470 million of private placement notes are classified as current at 30 June 2020. The Group recognised a significant item in the income statement related to the USPP make whole component of the prepayment (including the impact of debt hedging activities) as governed by the private placement borrowing agreement.

At 30 June 2019, as a consequence of the Formica divestment in the prior year, the Group was required to make a mandatory prepayment offer on a rateable portion (33%) on all senior debt including private placement noteholders. As a result, \$292 million of private placements were classified as current at 30 June 2019. In July 2019, \$8 million of private placement notes with original maturities between 2026 and 2028 were prepaid.

### Capital notes

At 30 June 2020 the Group had issued \$365 million capital notes to retail investors (2019: \$385 million) and had fully repaid unlisted capital notes issued to institutional investors. 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 long-term 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 per cent of the current market price. If the principal amount of these notes held at 30 June 2020 were to be converted to shares, 101 million (2019: 81 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2020, of \$3.70 (2019: \$4.85).

## Notes to the Financial Statements 2020 (Continued)

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.

As at 30 June 2020, the Group held \$135 million (2019: \$115 million) of its own capital notes.

### Bank Loans

At 30 June 2020 the Group had a \$925 million syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis. The funds under this facility can be borrowed in United States, Australian and New Zealand dollars.

On the 22 July 2019, the Group refinanced its \$925 million syndicated revolving credit facility which resulted in two tranches, \$525 million maturing in July 2022 (Tranche 1), \$400 million maturing in July 2024 (Tranche 2). The refinanced syndicated revolving facility is with ANZ Bank New Zealand Limited, Bank of China (New Zealand) Limited, Bank of New Zealand, China Construction Bank (New Zealand) Limited, Citibank N.A., MUFG Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and Westpac New Zealand Limited.

### Other Loans

At 30 June 2020 the Group had unsecured loans of \$25 million (2019: \$24 million) some of which were subject to the negative pledge. Other loans include bank overdrafts, short-term loans, working capital facilities and amortising loans. As part of the adoption of NZ IFRS 16, the Group reclassified \$44 million of other loans to lease liabilities, refer to note 27.

### 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 2020, the Group had debt subject to the negative pledge of \$1,230 million (2019: \$1,062 million).

*The impact of debt hedging activities on borrowings is represented in the table below:*

2020 NZ\$M						
Currency of borrowings	Underlying borrowing exposure		Impact of hedging	Economic debt exposure		
	Fixed rate	Floating rate		Fixed rate	Floating rate	% Fixed
New Zealand Dollar	365	405	246	415	601	41%
Australian Dollar	118	6	447	317	254	56%
British Pound	20		(20)			0%
Canadian Dollar	17		(17)			0%
Euro	73		(73)			0%
United States Dollar	773		(773)			0%
Other		14			14	0%
<b>Total</b>	<b>1,366</b>	<b>425</b>	<b>(190)</b>	<b>732</b>	<b>869</b>	<b>46%</b>

2019 NZ\$M						
Currency of borrowings	Underlying borrowing exposure		Impact of hedging	Economic debt exposure		
	Fixed rate	Floating rate		Fixed rate	Floating rate	% Fixed
New Zealand Dollar	385	269	237	535	356	60%
Australian Dollar	104	100	437	310	331	48%
British Pound	20		(20)			0%
Canadian Dollar	18		(18)			0%
Euro	70		(70)			0%
United States Dollar	717		(673)	44		100%
Other		14			14	0%
<b>Total</b>	<b>1,314</b>	<b>383</b>	<b>(107)</b>	<b>889</b>	<b>701</b>	<b>56%</b>



## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial commitments as they fall due. The Group manages its liquidity risk by maintaining a target level of undrawn committed credit facilities and a spread of the maturity dates 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.

2020					
	Contractual cash flows NZ\$M	Up to 1 Year NZ\$M	1–2 Years NZ\$M	2–5 Years NZ\$M	Over 5 Years NZ\$M
Bank loans	400			400	
Capital notes	365	100	100	165	
Private placements <sup>(1)</sup>	1,001	470			531
Other loans	25	11		14	
<b>Borrowings - Principal cash flows</b>	<b>1,791</b>	<b>581</b>	<b>100</b>	<b>579</b>	<b>531</b>
Gross settled derivatives - to pay	906	447		105	354
Gross settled derivatives - to receive	(1,096)	(566)		(109)	(421)
<b>Debt derivatives financial instruments - Principal cash flows</b>	<b>(190)</b>	<b>(119)</b>		<b>(4)</b>	<b>(67)</b>
<b>Total principal cash flows</b>	<b>1,601</b>	<b>462</b>	<b>100</b>	<b>575</b>	<b>464</b>
<b>Contractual interest cash flows</b>	<b>175</b>	<b>49</b>	<b>37</b>	<b>60</b>	<b>29</b>
Lease liability	2,317	244	226	564	1,283
<b>Total lease cash flow</b>	<b>2,317</b>	<b>244</b>	<b>226</b>	<b>564</b>	<b>1,283</b>
<b>Total contractual cash flows</b>	<b>4,093</b>	<b>755</b>	<b>363</b>	<b>1,199</b>	<b>1,776</b>

<sup>(1)</sup> On 29 June 2020, the Group provided notice to private placement noteholders to prepay AUD99 million and USD200 million of notes on issue. As a result, \$470 million of private placement notes are classified as current.

2019					
	Contractual cash flows NZ\$M	Up to 1 Year NZ\$M	1–2 Years NZ\$M	2–5 Years NZ\$M	Over 5 Years NZ\$M
Bank loans	258	85	173		
Capital notes	485	200	100	185	
Private placements	884	292		269	323
Other loans	68	25	1	1	41
<b>Borrowings - Principal cash flows</b>	<b>1,695</b>	<b>602</b>	<b>274</b>	<b>455</b>	<b>364</b>
Gross settled derivatives - to pay	907	337		208	362
Gross settled derivatives - to receive	(1,012)	(338)		(299)	(375)
<b>Debt derivatives financial instruments - Principal cash flows</b>	<b>(105)</b>	<b>(1)</b>		<b>(91)</b>	<b>(13)</b>
<b>Total principal cash flows</b>	<b>1,590</b>	<b>601</b>	<b>274</b>	<b>364</b>	<b>351</b>
<b>Contractual interest cash flows</b>	<b>323</b>	<b>72</b>	<b>59</b>	<b>111</b>	<b>81</b>
<b>Total contractual cash flows</b>	<b>1,913</b>	<b>673</b>	<b>333</b>	<b>475</b>	<b>432</b>

<sup>(1)</sup> At 30 June 2019, bank loans of \$85 million and private placements of \$292 million were classified as current as the Group was required to make a mandatory disposition prepayment offer on a rateable portion (33%) on all senior debt as a consequence of the Formica divestment.

## Notes to the Financial Statements 2020 (Continued)

### 15. FUNDING COSTS/(INCOME)

Interest expense and income is recognised on an accrual basis in the profit or loss using the effective interest method.

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.

	2020 NZ\$M	2019 NZ\$M
Interest income	(9)	(4)
Interest on borrowings and derivatives	65	106
Interest expense other	5	4
<b>Net Interest expense</b>	<b>61</b>	<b>106</b>
Changes in fair value relating to:		
Borrowings designated in a hedging relationship	(50)	33
Derivatives designated in a hedging relationship	(50)	(33)
<b>Total changes in fair value</b>		
Bank fees, registry and other expenses	10	5
Line fees	7	9
Other (gains)/losses	2	(4)
<b>Funding costs</b>	<b>80</b>	<b>116</b>

Included in interest on borrowings is the net settlement of the Group's interest derivatives. This consists of \$39 million of interest income and \$35 million of interest expense (2019: \$44 million interest income; \$43 million interest expense). Bank fees, registry and other expenses include one-off costs in relation to the amendment waiver fees paid during the year. Other (gains)/losses includes credit valuation adjustment (CVA) / debit value adjustment (DVA) on derivatives.

#### Interest rate risk

At 30 June 2020, 46% of the Group's debt was subject to a fixed interest rate (2019: 56% 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.

	2020 NZ\$M	2021 NZ\$M	2022 NZ\$M	2023 NZ\$M	2024 NZ\$M	2025 NZ\$M
Fixed financial liabilities	732	526	315	299	80	
Floating financial liabilities	869	1,075	1,286	1,302	1,521	1,601
<b>Economic debt</b>	<b>1,601</b>	<b>1,601</b>	<b>1,601</b>	<b>1,601</b>	<b>1,601</b>	<b>1,601</b>
% Fixed	46%	33%	20%	19%	5%	0%

The Group's overall weighted average interest rate (based on year end borrowings) excluding fees is 3.67% (June 2019: 5.03%). The Group's overall weighted average interest rate (based on year end borrowings) excluding private placement borrowings to be prepaid and fees is 3.30%.

##### (ii) Interest rate risk

It is estimated a 100 basis point increase in interest rates would result in an increase in the Group's interest costs by approximately \$8.7 million pre-tax on the Group's debt portfolio exposed to floating rates at balance date (2019: \$7.0 million) assuming that all other variables remain constant.

## 16. FINANCIAL RISK MANAGEMENT

Exposures to credit, liquidity, 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 ensures compliance with the risk management policies and procedures.

Derivative financial instruments, including foreign forward 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 risk are managed:

Financial risk	Description	Management of risk
Foreign currency trade transaction risk (note 16.1(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. Majority of these transactions have maturities of less than one year from the reporting date.
Foreign currency balance sheet translation risk (note 16.1(ii))	Arises due to the translation of the Group's foreign denominated assets and liabilities, overseas operations and subsidiaries to the Group'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 long-term debt to debt plus equity ratio as approved by the Board.</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 to 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 dollar-denominated or Australian dollar-denominated amounts of principal with floating interest rates.</p>
Interest rate risk (note 14 & note 16.2)	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 and capital expenditure transactions that are linked to traded 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. In the current year, the Group used commodity price swaps to hedge electricity prices and diesel prices. The average hedged electricity price for 2020 was NZ\$/MWh 118 (2019: NZ\$/MWh 78). The average hedged diesel price for 2020 was NZ\$/litre 0.73 (2019: N/A).</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>

## Notes to the Financial Statements 2020 (Continued)

Disclosure about the credit risk associated with financial instruments and fair value measurement of financial instruments is included in note 16.3 and 16.4.

### Derivative financial instruments and hedge accounting

Derivatives are initially recorded at fair value and are then revalued to fair value at balance date with the resulting gain or loss on remeasurement recognised in the 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 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 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 income statement. The effective portion is reclassified to the income statement when the underlying cash flows affect the income statement.

#### *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 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 income statement.

### 16.1 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, the Japanese yen, the Euro and the British pound. The gross value of these foreign exchange derivatives at 30 June 2020 was \$570 million (2019: \$448 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:

			2020 NZ\$M		
	Carrying amount		Notional Amount	Hedge effectiveness	
	Amount of investment hedged	Foreign currency borrowings		Change in value used for calculating hedge ineffectiveness	Net investment hedge gain/(loss) recognised in other comprehensive Income
<b>Hedged investments and hedging instruments used</b>			Foreign currency forwards		
<b>Australia Dollar-denominated</b>					
Maturity of forward contracts: 0-4 months	235		(235)	2	(2)
	235		(235)	2	(2)
			2019 NZ\$M		
	Carrying amount		Notional Amount	Hedge effectiveness	
	Amount of investment hedged	Foreign currency borrowings		Change in value used for calculating hedge ineffectiveness	Net investment hedge gain/(loss) recognised in other comprehensive Income
<b>Hedged investments and hedging instruments used</b>			Foreign currency forwards		
<b>Australia Dollar-denominated</b>					
Maturity of forward contracts: 0-4 months	230		(230)	(2)	2
	<b>230</b>		<b>(230)</b>	<b>(2)</b>	<b>2</b>

It is estimated a 10% weakening of the New Zealand dollar against the major foreign currencies the Group is exposed to on the net assets of its foreign operations would result in an increase to equity of approximately \$138 million (2019: \$135 million) and no material impact on earnings.

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.
- currency risk in relation to foreign currency denominated borrowings with fixed interest rates.
- 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 which 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 Financial Statements 2020 (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.

Hedge type	2020 NZ\$M						
	Nominal amount of the hedging instrument	Carrying amount	Accumulated cost of hedging	Change in value used for calculating hedge ineffectiveness	Hedging (gain) or loss recognised in other comprehensive income	Hedging (gain) or loss reclassified to income statement	Fair value hedge (income statement) (gain)/loss
<b>Cash flow hedging and fair value hedging</b>							
<i>Cross currency interest rate swaps</i>							
<b>USD denominated borrowings</b>	383	63	(8)	43	(4)		(39)
<b>Maturity: 73-97 months</b>							
Weighted average interest rate: floating							
Weighted average NZD/USD exchange rate: 0.7055							
<b>USD denominated borrowings</b>	312	121	(1)	10		(7)*	(11)
<b>Maturity: 18-42 months</b>							
Weighted average interest rate: floating							
Weighted average AUD/USD exchange rate: 1.0082							
<b>CAD denominated borrowings</b>	17						
<b>Maturity: 25 months</b>							
Weighted average interest rate: floating							
Weighted average NZD/CAD exchange rate: 0.8795							
<b>EUR denominated borrowings</b>	73	3	(1)	(1)			
<b>Maturity: 25 months</b>							
Weighted average interest rate: floating							
Weighted average NZD/EUR exchange rate: 0.5994							
<b>GBP denominated borrowings</b>	20	1					
<b>Maturity: 25 months</b>							
Weighted average interest rate: floating							
Weighted average NZD/GBP exchange rate: 0.5419							
	<b>805</b>	<b>188</b>	<b>(10)</b>	<b>52</b>	<b>(4)</b>	<b>(7)</b>	<b>(50)</b>

\*As a consequence of the prepayment notices issued to private placement noteholders on 29 June 2020, a portion of the related cross currency interest swap designated in a cash flow hedge relationship was ineffective and subsequently reclassified to the income statement and recognised net of the make whole significant item.

Hedge type	2019 NZ\$M						
	Nominal amount of the hedging instrument	Carrying amount	Accumulated cost of hedging	Change in value used for calculating hedge ineffectiveness	Hedging (gain) or loss recognised in other comprehensive income	Hedging (gain) or loss reclassified to income statement	Fair value hedge (income statement) (gain)/loss
Cash flow hedging and fair value hedging							
Cross currency interest rate swaps	374	6	(9)	35	1		39
USD denominated borrowings							
Maturity: 85-109 months							
Weighted average interest rate: floating							
Weighted average NZD/USD exchange rate: 0.7055	299	102	(2)	26			15
USD denominated borrowings							
Maturity: 30-54 months							
Weighted average interest rate: floating							
Weighted average AUD/USD exchange rate: 1.0082							
	673	108	(11)	61	1		54

## 16.2 Interest rate swaps

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 on 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 which 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 Financial Statements 2020 (Continued)

	2020 NZ\$M				
Hedge type	Nominal amount of the hedging instrument	Carrying amount - derivative assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Hedging (gain) or loss recognised in other comprehensive income	Hedging (gain) or loss recognised in income statement
<b>Cash flow hedging</b>					
<b>Interest rate swaps - NZD borrowings</b>	50	(2)			
Maturity: 21 months					
Weighted average interest rate: 3.10%					
<b>Interest rate swaps - AUD borrowings</b>	211	(10)	(4)	4	
Maturity: 18-42 months					
Weighted average interest rate: 1.87%					
	261	(12)	(4)	4	

	2019 NZ\$M				
Hedge type	Nominal amount of the hedging instrument	Carrying amount - derivative assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Hedging (gain) or loss recognised in other comprehensive income	Hedging (gain) or loss recognised in income statement
<b>Cash flow hedging</b>					
<b>Interest rate swaps - NZD borrowings</b>	150	(2)	(1)	1	
Maturity: 5-33 months					
Weighted average interest rate: 2.48%					
<b>Interest rate swaps - AUD borrowings</b>	206	(6)	(6)	6	
Maturity: 32-56 months					
Weighted average interest rate: 1.87%					
	356	(8)	(7)	7	

There was no hedge ineffectiveness recognised in profit or loss during the year.

### 16.3 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 3)

While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9, 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 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.

In response to COVID-19 the Group undertook a review of its customer credit portfolio and its exposure to ECL. The review considered the macroeconomic outlook, client and customer credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date. The increase in ECL provisions of \$6 million in general reflects increased loss expectations across the portfolio as a result of a deterioration in the New Zealand and Australian macroeconomic environment.

The table below provides movement in the Group's ECL provision:

	2020 NZ\$M	2019 NZ\$M
<b>Opening provision for doubtful debts as at 1 July 2019</b>	(15)	(14)
Increase in provision for doubtful debts recognised in profit or loss	(15)	(8)
Receivables written off during the year as uncollectible	5	6
Unused amount reversed		1
<b>Closing loss allowance as at 30 June 2020</b>	(25)	(15)

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 within operating profit. 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 are at their current fair value.

## Notes to the Financial Statements 2020 (Continued)

### 16.4 Fair Values

The estimated fair value measurements for financial assets and liabilities compared to their carrying values in the balance sheet, are as follows:

		2020		2019	
	Classification	Carrying Value NZ\$M	Fair Value NZ\$M	Carrying Value NZ\$M	Fair Value NZ\$M
<b>Financial assets</b>					
Cash and liquid deposits	Amortised cost	1,104	1,104	1,372	1,372
Debtors	Amortised cost	991	991	1,085	1,085
Forward exchange contracts - fair value through profit or loss	Fair value	1	1	1	1
Forward exchange contracts - cash flow hedge	Fair value	2	2	1	1
Forward exchange contracts - net investment hedge	Fair value			2	2
Cross currency interest rate swaps - split designation	Fair value	188	188	108	108
Interest rate swaps - fair value hedge	Fair value			1	1
Interest rate swaps - fair value through profit or loss	Fair value	1	1		
<b>Total financial assets</b>		<b>2,287</b>	<b>2,287</b>	<b>2,570</b>	<b>2,570</b>
<b>Financial liabilities</b>					
Creditors and accruals	Amortised cost	931	931	799	799
Bank loans	Amortised cost	400	400	258	258
Private placements	Amortised cost	1,001	1,007	886	956
Other loans	Amortised cost	25	25	68	68
Capital notes	Amortised cost	365	372	485	497
Forward exchange contracts - fair value through profit or loss	Fair value	2	2	3	3
Forward exchange contracts - cash flow hedge	Fair value	4	4	1	1
Forward exchange contracts - net investment hedge	Fair value	2	2		
Interest rate swaps - cash flow hedge	Fair value	12	12	8	8
<b>Total financial liabilities</b>		<b>2,742</b>	<b>2,755</b>	<b>2,508</b>	<b>2,590</b>
<b>Total financial instruments</b>		<b>(455)</b>	<b>(468)</b>	<b>62</b>	<b>(20)</b>

#### 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 (0.5%) and 4.0% (2019: 1.1% and 5.3%) including margins, for both accounting and disclosure purposes.



## 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 Group entities.

### 17. DIVIDENDS AND SHAREHOLDER TAX CREDITS

Dividends	2020 NZ\$M	2019 NZ\$M
Dividend of 15 cents per share paid to shareholders in October 2019 (October 2018: nil)	128	
There was no interim dividend paid to shareholders in April 2020 (April 2019: 8 cents per share)		68
	128	68

In line with the Group's dividend policy, the Board determined that it would not declare a final dividend for the 2020 financial year. The Group had previously declared an interim dividend in February 2020, however this was cancelled in March 2020 when the impacts of COVID-19 on the business became apparent.

#### Shareholder tax credits

Imputation and franking credits allow the Group to transfer the benefit from the tax it has paid in New Zealand and Australia respectively to its shareholders when it pays dividends.

	2020 NZ\$M	2019 NZ\$M
<b>Imputation credit account</b>		
Imputation credits at the beginning of the year	3	
Taxation paid	1	3
	4	3

	2020 A\$M	2019 A\$M
<b>Franking credit account</b>		
Franking credits at the beginning of the year	32	32
Taxation paid	(1)	(1)
Franking credits received	1	1
	32	32

### 18. 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.

	2020 NZ\$M	2019 NZ\$M
Reported capital at the beginning of the year including treasury stock	3,447	3,447
Repurchase of shares	(147)	
Reported capital at the end of the year including treasury stock	3,300	3,447
Treasury stock	(20)	(20)
	3,280	3,427

All ordinary shares are issued and fully paid and carry equal rights in respect of voting, dividend payments and distribution upon winding up.

## Notes to the Financial Statements 2020 (Continued)

	2020	2019
<b>Number of ordinary shares issued and fully paid</b>		
Number of shares on issue at the beginning of the year	853,347,141	853,347,141
Repurchase of shares	(29,090,725)	
Total number of shares on issue	824,256,416	853,347,141
Less shares accounted for as treasury stock	(3,031,034)	(2,574,158)
	821,225,382	850,772,983

The Group commenced an on-market share buyback in September 2019. For the year ended 30 June 2020, the Group had repurchased 29,090,725 shares for the total consideration of \$147 million. The purchased shares were subsequently cancelled, leaving the total number of shares on issue at 30 June 2020 of 824,256,416 shares. In line with NZ IFRS, \$0.1 million of transaction costs relating to the buyback were offset against equity. On 25 March 2020, in response to COVID-19 and its impact on the Group's operating cash flow, the Group announced the cancellation of the interim dividend and suspension of the on-market share buyback programme.

### 19. NON-CONTROLLING INTERESTS

Non-controlling interests are allocated their share of profit for the year in the income statement and are presented separately within equity in the 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.

	2020 NZ\$M	2019 NZ\$M
Share capital	21	22
Reserves	14	10
	35	32

### 20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates 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.

	2020 NZ\$M	2019 NZ\$M
<b>Investment by associate/joint venture:</b>		
Wespine Industries Pty Limited	53	49
Hexion Australia Pty Ltd	21	21
Altus NZ Limited	64	63
Other	20	19
	158	152
<b>Equity accounted earnings comprise:</b>		
Sales - 100%	359	375
Earnings before taxation - 100%	18	38
Earnings before taxation - Fletcher Building share	9	19
Taxation expense	(2)	(5)
<b>Earnings after taxation - Fletcher Building share</b>	<b>7</b>	<b>14</b>

## 21. RELATED PARTY DISCLOSURES

The disclosures below set out transactions and outstanding balances that Group companies and other related parties have with each other. Transactions with related parties are conducted on normal business terms.

Key management personnel are defined as the Executive Committee and Board of directors.

	Sales to related parties NZ\$M	Purchases from related parties NZ\$M	Amounts owing from related parties (within debtors) NZ\$M	Amounts owing to related parties (within creditors) NZ\$M
<b>Trading activities with related parties</b>				
<b>2020</b>				
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		38		3
Interpipe Holdings Limited		4		
Altus NZ Limited		11		
<b>2019</b>				
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		39		5
Interpipe Holdings Limited		10		
Altus NZ Limited		5		
			<b>2020 NZ\$M</b>	<b>2019 NZ\$M</b>
<b>Key management personnel compensation</b>				
Directors' fees			2	2
Executive committee remuneration paid, payable or provided for:				
Short-term employee benefits			10	19
Termination benefits			1	2

### Fletcher Building Retirement Plan

As at 30 June 2020, Fletcher Building Nominees Limited (the New Zealand retirement plan) held \$1.8 million of shares in Fletcher Building (2019: \$2.1 million of shares and \$5.0 million of capital notes).

# Notes to the Financial Statements 2020 (Continued)

## Other information

This section provides additional required disclosures that are not covered in the previous sections.

### 22. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments are those where future expenditure has either been committed or has received Board approval at year-end, but not recognised as liabilities is as follows:

	2020 NZ\$M	2019 NZ\$M
Committed at year end		
Property, plant and equipment and other long-term assets	411	52
Equity accounted investments	12	12
Approved by the directors but uncommitted at year end	22	62
	<b>445</b>	<b>126</b>

### 23. CONTINGENT LIABILITIES

#### Claims

There are a number of legal claims and exposures that arise from the normal course of the Group's business in respect of which no provision has been made. Where it is more likely than not that such a litigation will result in an outflow of resources that is already reasonably estimated, a claims provision is recorded in the amount of the present value of the expected cash outflows. Such provisions cover the estimated payments to the claimants, legal costs and the cost of potential settlements.

It is frequently impossible to reliably determine the existence of a present obligation or reasonably estimate the probability that a potential outflow of resources will result from a pending or future litigation. Also, the amount of liability, if any, that may arise, cannot be measured reliably at this time.

#### 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 of the Group's subsidiaries.

#### Silicosis

Laminex Australia (together with other engineered stone manufacturers and fabricators) is the subject of 20 silica related personal injury claims based in Queensland. No claims have yet been lodged in other states as at 30 June 2020. Additionally, Victoria based Slater & Gordon, in April 2020, advised of their intent to join Laminex Australia to a class action. No further correspondence has been received.

The Group has concluded it is too early to make a reliable estimate of both the future and potential claims and the extent of liability (if any) manufacturers and distributors may have. Accordingly, the Group has not recognised any provisions with respect to the outstanding or future silicosis claims as at 30 June 2020.

#### Holiday Pay

The Group assesses on an ongoing basis its compliance with the Holidays Act in respect of annual and public holiday payments. Pending the interpretation by the Court of Appeal of legislation defining "discretionary payments" under the Holidays Act, potential implications may arise requiring the Group to remediate past holiday pay payments in respect of staff who have participated in certain incentive schemes.

#### NZICC

On 22 October 2019 there was a significant fire at the NZICC project construction site causing damage to both the International Convention Centre and Hobson Street Hotel. Contract Works and Third-Party Liability insurances are in place on the project, and the Fletcher Construction Company Limited is an insured party under these policies. Certain costs resulting from the fire may fall outside the scope of the Contract Works and Third-Party Liability policies, with the possibility that recovery may be sought from the Group. As outlined in note 2.6, such costs that are known or considered probable as at balance date have been included in the assessment of the onerous contract provision. It is possible that as the project progresses additional costs will be identified that will need to be included in the onerous contract provision or as a separate provision. Due to the uncertainty regarding whether additional costs will be identified and incurred post balance date, no additional amounts have been recognised or disclosed as at 30 June 2020.

	2020 NZ\$M	2019 NZ\$M
Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	394	333
Contingent liabilities with respect to claims		
	<b>394</b>	<b>333</b>

## 24. TAXATION

### Taxation expense

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
- The initial recognition of asset and liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit 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 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 income statement.

### COVID-19

On 17 March 2020, the New Zealand Government announced a business continuity package which included a number of tax relief initiatives. The Group has assessed the facts and circumstances included in the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020 and concluded that the introduction of the new legislation does not have a material effect on the Group's current and deferred tax position.

Below is the reconciliation of earnings before taxation to taxation expense:

	2020 NZ\$M	2019 NZ\$M
Earnings/(loss) before taxation	(265)	280
Taxation at 28 cents per dollar	(74)	78
Adjusted for:		
Difference in tax rates	(4)	(8)
Non-assessable income	(3)	(5)
Non-deductible expenses	4	38
Tax losses for which no deferred tax asset was recognised	2	9
Utilisation of previous unrecognised tax losses	(3)	(2)
Tax in respect of prior years	(3)	3
Other permanent differences		11
	(81)	102
Tax expense/(benefit) on earnings from continuing operations	(81)	80
Tax expense on earnings from discontinued operations		22
	(81)	102
Tax on (loss)/earnings before significant items	(4)	133
Tax benefit on significant items	(77)	(31)
	(81)	102
Total current taxation expense/(benefit)	(78)	117
Total deferred taxation benefit	(3)	(15)
	(81)	102



## Notes to the Financial Statements 2020 (Continued)

	2020 NZ\$M	2019 NZ\$M
<b>Current tax assets/(liabilities)</b>		
Included within the balance sheet as follows:		
Current tax assets	66	66
Current tax liabilities	(5)	(5)
	61	61
<b>Movement during the year:</b>		
Opening provision for current tax assets/(liabilities)	61	46
Taxation expense	78	(117)
Transfer from/(to) deferred taxation	(85)	71
Non-controlling interest share of taxation expense	3	4
Tax recognised directly in reserves	3	10
Sale of business		19
Net tax payments	1	28
	61	61
	2020 NZ\$M	2019 NZ\$M
<b>Provision for deferred tax assets/(liabilities)</b>		
Included within the balance sheet as follows:		
Deferred tax assets	285	121
Deferred tax liabilities		(2)
	285	119
<b>Movement during the year:</b>		
Opening provision for deferred tax assets	119	124
Taxation expense	3	15
Transfer (from)/to current tax	85	(71)
Sale of business		41
Tax recognised directly in reserves	78	10
	285	119
<b>Composed of:</b>		
Provisions	162	169
Inventories	17	21
Debtors	8	4
Property, plant and equipment	(26)	(44)
Brands	(83)	(77)
Tax losses	128	63
Pensions	(3)	(5)
Leases	84	
Other	(2)	(12)
	285	119

The Group has recognised certain tax losses available in New Zealand and Australia on the basis that the respective companies will have future assessable income. This assessment has been made based on forecast earnings set out in the companies' strategic plans. The Group reviews future loss utilisations at each reporting period.

## 25. 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. Participation in this plan has been closed for a number of years, although defined contribution savings plans have been made available. Various defined benefit and defined contribution plans exist in Australia following the acquisition of the Crane, Amatek, Tasman Building Products, and Laminex businesses which Group business units contribute to on behalf of their employees. Where the plans have a deficit in their funded status, the companies are making additional contributions, as recommended by the trustees of the plans, to improve the funded status.

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.

Obligations for contributions to defined contribution plans are recognised in earnings as incurred. The actuarial cost of providing benefits under defined benefit plans is expensed as it accrues over the service life of the employees, after taking account of the income expected to be earned by the assets owned by the plans.

All retirement plan related actuarial gains or losses are recognised in other comprehensive income in the pension reserve in the year in which they arise.

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. These obligations are accounted for in accordance with NZ IAS 19 Employee Benefits, which has the effect of recognising the volatility in the returns earned by the plans in the pension reserve.

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:

	2020 %	2019 %
Assumed discount rate on benefit obligations	1.02	2.14
Annual rate of increase in future compensation levels	2.18	2.61

Expected returns on plan assets have been determined by the independent actuaries as the weighted average of the expected return after tax and investment fees for each asset class by the target allocation of assets to each class.

During the year the Group contributed less than \$1 million (2019: less than \$1 million) in respect of its Australian defined benefit plans. It contributed \$58 million (2019: \$59 million) in respect of its defined contribution plans worldwide, including KiwiSaver and Australia Superannuation.

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. This is based upon any two consecutive annual actuarial valuations as calculated by the plan's actuary. This calculation is done on the plan's funding basis, which is completed in accordance with NZ IAS 26 *Retirement Benefit Plans*. At 31 March 2020, the value of the plan assets was 142% of the actuarial liability and the funded surplus was \$73 million (31 March 2019: 159%, \$103 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 2021. The Group is currently not contributing to the New Zealand plan.

	2020 NZ\$M	2019 NZ\$M
<b>Net periodic pension cost</b>		
Service cost	3	3
Net interest cost	(1)	(2)
<b>Net periodic pension cost - recognised in earnings before interest and taxation</b>	<b>2</b>	<b>1</b>
<b>Recognised net asset/(liability)</b>		
Assets of plans	369	400
Projected benefit obligation	(327)	(339)
Funded surplus	42	61
<b>Recognised net asset</b>	<b>42</b>	<b>61</b>

## Notes to the Financial Statements 2020 (Continued)

	2020 NZ\$M	2019 NZ\$M
<b>Recognised net asset/(liability) by jurisdiction:</b>		
New Zealand plan	31	47
Australian plans	11	14
<b>Retirement plan assets - recognised within non-current assets</b>	<b>42</b>	<b>61</b>
<b>Recognised net asset</b>	<b>42</b>	<b>61</b>
<b>Movement in recognised net asset</b>		
Recognised net asset at the beginning of the year	61	50
Currency translation		1
Actuarial movements for the year	(17)	(25)
Net periodic pension cost	(2)	(1)
Sale of business - liability		36
<b>Recognised net asset</b>	<b>42</b>	<b>61</b>
<b>Assets of the plans</b>		
Assets of plans at the beginning of the year	400	756
Actual return on assets	8	15
Total contributions	1	1
Benefit payments	(40)	(38)
Sale of business		(334)
	<b>369</b>	<b>400</b>
<b>Assets of the plans consist of:</b>		
Australasian equities	45	45
International equities	110	109
Property	30	27
Bonds	104	134
Cash and short-term deposits	29	57
Other assets	51	28
	<b>369</b>	<b>400</b>
<b>Projected benefit obligation</b>		
Projected benefit obligation as at the beginning of the year	(339)	(694)
Service cost	(3)	(3)
Interest cost	(6)	(9)
Member contributions	(1)	(1)
Actuarial loss arising on changes in demographic assumptions		(1)
Actuarial loss arising on changes in financial assumptions	(21)	(24)
Actuarial gain arising on other assumptions - experience adjustments	3	(2)
Benefit payments	40	37
Sale of business		361
Currency translation		(3)
	<b>(327)</b>	<b>(339)</b>

## 26. SHARE-BASED PAYMENTS

The Group has a long-term share-based performance incentive scheme targeted at selected employees (invited to participate at the discretion of the Company) most able to influence the results of the Group.

The long-term share scheme allows scheme participants to acquire shares in the Company at market price, 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.

For shares granted in and prior to 2016 vesting of half of any entitlement under the executive long-term share scheme is dependent upon the Group achieving a total shareholder return (TSR) that is equal to the TSR of the comparator Group of companies at the point that the cumulative market capitalisation of that comparator Group exceeds 50% of the total market capitalisation of the comparator Group TSR index over a three year restricted period. Vesting of the other half of any entitlement is dependent upon the Group achieving an earnings per share target. However, for shares granted in and after 2017 all of the 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. Additionally, in respect of the entitlement that is dependent on the Group's TSR, the three year restrictive period is automatically extended for an additional year if the minimum vesting threshold is not met. 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. No extension is permitted for the entitlement that is dependent upon achieving an earnings per share target.

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. Owing to the integrated nature of the scheme, for accounting purposes the Group accounts for the incentive scheme as being equity-settled. If the performance hurdles are not met or are only partially met, the trustee will acquire 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.

The Group will recognise an expense in earnings, with a corresponding increase in the share-based payments reserve, over the restrictive period. If the performance hurdles based on TSR are not 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. If the performance targets based on earnings per share are not met and the shares do not transfer, the amount in the share-based payments reserve will be released to earnings.

The Group accounts for the share schemes under the treasury stock method. The receivable owing from the scheme participants, representing the shares held in the Company, is deducted from the Group's paid up capital. The shares are deducted from equity until the end of the restrictive period, at which point they transfer to scheme participants or beneficial ownership of the shares transfers to the trustee.

The following are details with regard to the scheme:

	2019 Award	2018 Award	2017 Award	2016 Award
Grant date	1 July 2019	1 July 2018	1 July 2017	1 July 2016
Number of shares granted	1,386,100	1,041,605	890,075 <sup>(1)</sup>	905,211
Market price per share at grant date	\$5.21	\$6.99	\$7.85	\$10.61
Total value at grant date	\$7,221,581	\$7,280,819	\$6,985,959	\$9,604,289
Vesting date	30 June 2022	30 June 2021	30 June 2020	30 June 2019
<b>Number of shares:</b>				
Number of shares originally granted	1,386,100	1,041,605	890,075	905,211
Less forfeited over life of scheme	(32,358)	(150,848)	(240,037)	(767,808)
Less vested over life of scheme				(906)
<b>Number of shares held at 30 June 2019</b>	<b>1,353,742</b>	<b>890,757</b>	<b>650,038</b>	<b>136,497</b>

<sup>(1)</sup> This is an average share price which includes 182,561 shares granted at \$7.34 to Ross Taylor as CEO and the remainder issued to other participants at \$7.98.

	2020 NZ\$M	2019 NZ\$M
Total fair value expense in year for executive performance share scheme	5	2
Amount recognised at year end for related bonus payable	10	9

Fair value has been determined using Monte Carlo valuation methodology.

## Notes to the Financial Statements 2020 (Continued)

### Employee share purchase scheme - FBuShare

The employee share purchase scheme, FBuShare, allows eligible Group employees to regularly save up to NZ\$5,000 per annum of their after-tax pay and purchase shares in the Group (purchased shares) at market prices. At the end of rolling three year qualification periods, and provided they remain employed by a Group company, employees will be awarded one free award share for every two purchased shares acquired in the first year of each three year qualification period and still held at the end of those periods.

Dividends payable 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.

The Group accrues the liability to pay for award shares over the three year qualification periods.

### 27. IMPACT OF NZ IFRS 16

The Group has a large number of leases, consisting of property, mobile plant and heavy machinery, commercial and passenger vehicles and IT equipment and photocopiers. Property leases which include retail, manufacturing, distribution, storage and office sites have the most significant impact on adoption of NZ IFRS 16 given their high value and long lease terms with renewal options. See note 2 for details of the Group's NZ IFRS 16 accounting policies.

The following table shows the carrying amounts of the recognised right-of-use assets and the changes during the reporting period.

	Land NZ\$M	Buildings NZ\$M	Plant & machinery NZ\$M	Total NZ\$M
<b>Year ended 30 June 2020</b>				
Opening net book value - retrospective application since lease commencement	17	1,226	168	1,411
Opening net book value - retrospective application since transition date	1	85	3	89
Reclassification of finance lease asset at 30 June 2019*			38	38
<b>Opening net book value 1 July 2019</b>	<b>18</b>	<b>1,311</b>	<b>209</b>	<b>1,538</b>
Additions and renewals	2	70	73	145
Depreciation	(2)	(122)	(61)	(185)
Impairment		(23)		(23)
Disposals		(65)	(3)	(68)
Transferred held for sale		(2)	(4)	(6)
Currency translation	2	3	7	12
<b>Closing Balance 30 June 2020</b>	<b>20</b>	<b>1,172</b>	<b>221</b>	<b>1,413</b>

\* Finance lease asset has been reclassified to right-of-use asset, previously reported as property, plant and equipment.

The following table shows the carrying amounts of the recognised right-of-use liabilities and the changes during the reporting period.

### Impact on the consolidated balance sheet: Lease liabilities

	Total NZ\$M
<b>Year ended 30 June 2020</b>	
Opening net book value - retrospective application of standard since lease commencement	1,669
Opening net book value - application of standard since transition date	90
Reclassification of finance lease liability at 30 June 2019*	44
<b>Opening net book value 1 July 2019</b>	<b>1,803</b>
Additions	146
Repayments	(171)
Disposals	(67)
Transferred to held for sale	(7)
Currency translation	17
<b>Closing Balance 30 June 2020</b>	<b>1,721</b>

\* Finance lease liability has been reclassified to lease liabilities, previously reported as other loans in Borrowings (note 14).

## Lease expenses recognised in consolidated income statement

For the period ended 30 June 2020	Total NZ\$M
Right-of-use asset depreciation	185
Right-of-use asset impairment	23
Lease interest expense	69
	<b>277</b>

## Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

## Transition disclosures:

### (a) Weighted average incremental borrowing rate (IBR) on transition:

These lease liabilities at 1 July 2019 were measured at the present value of the remaining lease payments, discounted using the Group's IBR as of 1 July 2019. The weighted average lessee's IBR applied to the lease liabilities on 1 July 2019 was 3.72%.

### (b) Operating lease commitments reconciliation:

	NZ\$M
Operating lease commitments disclosed as at 30 June 2019	2,293
Add: Reclassification of finance lease liability at 30 June 2019*	44
Less: Short-term and low-value leases recognised on a straight-line basis as expense	(6)
<b>Less: Impact of discounting at the initial date of application</b>	<b>(528)</b>
<b>Lease liability recognised as at 1 July 2019 (discounted using the Group's incremental borrowing rate at the date of initial application)</b>	<b>1,803</b>

\* Finance lease liability has been reclassified to lease liabilities, previously reported as other loans in Borrowings (note 14)

## Impact on retained earnings

NZ IFRS 16 was applied using the modified retrospective approach without adjusting the figures for prior periods. The transition resulted in recognition of right-of-use assets, right-of-use lease liabilities and deferred tax assets on 1 July 2019, with a net impact of \$183 million being recognised in retained earnings, summarised as follows:

	NZ\$M
<b>Retained earnings - as reported 30 June 2019</b>	<b>898</b>
Recognition of right-of-use assets	1,500
Recognition of right-of-use liability	(1,759)
Deferred tax consequences of above adjustments	76
<b>Retained earnings as at 1 July 2019 (restated)</b>	<b>715</b>

The transition to NZ IFRS 16 resulted in an impact on basic and diluted earnings per share. The basic and diluted earnings per share decreased by 1.4 cents per share.

## 28. SUBSEQUENT EVENTS

### Victoria lockdown

On 3 August 2020, in response to the COVID-19 pandemic, Victorian State Government announced stage 4 restrictions for metropolitan Melbourne area and stage 3 restrictions for regional Victoria, both effective from 11.59 pm 5 August 2020. Under stage 4 restrictions all workplaces in metropolitan Melbourne are required to be closed unless the workplace was deemed part of a permitted industry as set out by the Victorian Government. Introduction of these restrictions have not had material effect on the Group's Consolidated Financial Statements as at 30 June 2020.

Other than events noted above no further matters have arisen between 30 June 2020 and the date of this report that had a material effect on the Group's consolidated financial statements as at 30 June 2019.



# Independent Auditor's Report



Chartered Accountants

## 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 62 to 111, which comprise the consolidated balance sheet of the group as at 30 June 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes 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 62 to 111 present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2020 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 other assurance related 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

A substantial amount of the Group's revenue relates to revenue from construction contracts. Where these contracts have a long-term duration, revenue and margin are recognised based on the stage of completion of 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. Where a contract is expected to be loss-making, a provision is immediately recorded for estimated future losses on the entire contract.

There is a high level of estimation involved in accounting for the Group's construction contracts, in particular relating to:

- 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; and
- 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.

Disclosures regarding the Group's construction contracts are included in notes 2.6 and 3 of the financial statements.

### How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, we:

- evaluated the Group's process regarding accounting for contract revenues and costs. We tested controls including:
  - › the preparation, review and authorisation of monthly project reports, which involves management assessing key aspects of contract performance; and
  - › the project reviews undertaken by the Group's Project Management Office and management governance committee;
- used a risk rating process to select a sample of contracts for testing based on a number of quantitative and qualitative factors. These qualitative factors included contracts with significant deterioration of margin and/or completion dates, significant variations and claims, and factors which might indicate a greater level of judgement was required by the Group. For the contracts selected, where relevant, we:
  - › 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;
  - › for selected contracts, undertook site visits (to either contract sites and/or commercial offices) to understand the nature of risk elements of the contracts;
  - › tested a sample of costs incurred to date to supporting documentation;
  - › sample tested the estimated costs to complete by agreeing key forecast cost assumptions to underlying evidence such as subcontractor quotes, tender information, historical invoicing, employment records or agreements with subcontractors;
  - › evaluated the Group's ability to forecast total cost to complete by analysing the accuracy of previous forecasts to actual outcomes;
  - › assessed variable consideration, where material, to supporting documentation and by reference to underlying contracts, and
  - › assessed the probability of insurance recoveries in relation to the New Zealand International Convention Centre project ("NZICC") by reference to confirmation from the insurer, forecast costs to complete the remediation works to ensure these are within indemnity limits, the level of cover available under the contract works policy and receipt of progress payments to date.
- evaluated the Group's legal and external experts' reports received on contentious matters to identify conditions that may relate to the recognition of variable consideration or liquidated or other damages;
- 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
- considered the adequacy of the associated disclosures in the financial statements.

## Independent Auditor's Report (Continued)

### Goodwill and other intangible assets' impairment assessments

#### Why significant

The Group holds goodwill and other intangible assets of \$1.1 billion at 30 June 2020.

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.

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 note 2.2 of the financial statements.

#### How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, we:

- understood the Group's goodwill impairment assessment process and identified relevant controls;
- assessed the Group's determination of CGUs based on our understanding of the nature of the Group's business units;
- obtained the Group's DCF models and agreed forecasts, for those CGUs with a higher risk of impairment, to a combination of the Board approved FY21 budget and as applicable the FY22 - FY25 strategic plan or other management papers;
- assessed key inputs to the DCF models including future cash flow forecasts, discount rates, terminal growth rates as well as the Group's consideration of any impacts of COVID19 on these estimates;
- considered the accuracy of previous Group cash flow forecasting to inform our evaluation of forecasts included in the DCF models of those higher risk CGUs;
- for those CGUs with a higher risk of impairment, involved our valuation specialists to assess the Group's discount rates. Valuation specialists were also involved in assessing the DCF models for valuation methodology, including the treatment of assumptions for capital expenditure, working capital, terminal value and the net present value calculation;
- performed sensitivity analysis in relation to the discount rate and forecast cash flows to consider the potential impact of changes in assumptions; and
- 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.

### Transition to NZ IFRS 16: *Leases* ("NZ IFRS 16")

#### Why significant

The Group adopted NZ IFRS 16 on 1 July 2019. Under NZ IFRS 16, the Group must recognise right of use assets and lease liabilities arising from leases (with some exceptions) in the consolidated balance sheet. As disclosed in Note 27, the Group recognised right of use assets of \$1.5 billion and lease liabilities of \$1.8 billion on transition.

The Group has applied the modified retrospective approach to adoption. Under this approach, the Group recognised right of use assets and lease liabilities in the balance sheet on 1 July 2019 and an adjustment to opening retained earnings for those leases where the standard was applied from the lease commencement date. Comparative financial periods were not restated.

Judgement is required relating to the assumptions and estimates made in order to determine the quantum of right of use assets and lease liabilities. Key assumptions include estimating the lease term, by considering the likelihood of exercise of any rights of renewal, and the rates used to discount the lease liability at transition date and, where applicable, the right of use asset at the inception of the lease.

#### How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, we:

- evaluated the Group's process for adopting NZ IFRS 16 and identified controls;
- assessed the Group's application of practical expedients available on transition against the requirements of NZ IFRS 16;
- involved our valuation specialists to evaluate the methodology used to determine the Group's incremental borrowing rates ("IBR") applied to the lease portfolio;
- reviewed a sample of leases to assess the Group's quantification of the right of use asset and lease liability as at 1 July 2019, including:
  - › examining key contractual inputs to the calculations including lease end dates and lease payments;
  - › recalculating the lease liability and right of use asset for a sample of individual leases; and
  - › evaluating the treatment of contract modifications and key judgements made in relation to rights of renewal used to determine the lease term.

## Transition to NZ IFRS 16: *Leases* (“NZ IFRS 16”) (cont.)

### Why significant

Disclosures regarding the impact of the transition to NZ IFRS 16 and subsequent movements in lease related balances in the year are included in note 27 of the financial statements.

### How our audit addressed the key audit matter

- evaluated the completeness of leases included in the determination of the right of use asset and lease liability;
- assessed movements in right of use assets and lease liabilities during the year including on a sample basis, lease additions, lease modifications, rent abatements and expired and terminated leases;
- assessed the appropriateness of the classification of lease liabilities between current and non-current; and
- assessed the disclosures in the consolidated financial statements against the requirements of NZ IFRS 16 and NZ IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*.

## 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.

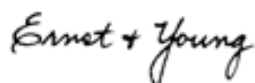
In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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

19 August 2020

# Statutory Disclosures

## DISCLOSURE OF INTERESTS BY DIRECTORS

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2020, 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 2020 are noted in brackets, for the purposes of section 211(1)(e) of the Companies Act 1993.

<b>Bruce Hassall</b>	Fletcher Building Industries Limited	Chair
	Prolife Foods Limited	Chair
	The Farmers' Trading Company Limited	Chair
	Bank of New Zealand	Director
	Fonterra Co-operative Group Limited	Director
<b>Martin Brydon</b>	Brydon Investment Holdings Pty Limited	Director
	Fletcher Building Industries Limited	Director
	Rytysh Pty Ltd	Director
<b>Barbara Chapman</b>	APEC 2021 CEO Summit Committee	Chair
	Genesis Energy Limited	Chair
	NZME Limited	Chair
	The New Zealand Initiative Limited	Deputy Chair
	Fletcher Building Industries Limited	Director
	IAG New Zealand Limited (resigned 30 June 2020)	Director
	Two Tin Pigs Limited	Director
	Prime Minister's Business Advisory Council (ceased effective 15 May 2020)	Member
<b>Peter Crowley</b>	Reserve Bank Independent Expert Advisory Panel	Member
	Barrambin Trading Company Pty Ltd	Director
	Fletcher Building Industries Limited	Director
	Interlaken Estates Pty Ltd	Director
	The Riverside Coal Transport Company Pty Ltd	Director
	Wesley Medical Research Limited	Director
<b>Rob McDonald</b>	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
<b>Doug McKay</b>	Bank of New Zealand	Chair
	Eden Park Trust Board	Chair
	Fletcher Building Industries Limited	Director
	Genesis Energy Limited	Director
	IAG New Zealand Limited	Director
	National Australia Bank	Director
	Tourism Transport Limited (resigned 27 September 2019)	Director
	Wymac Consulting Limited	Director

Cathy Quinn	Fertility Associates Holdings Limited (appointed 1 July 2019)	Chair
	MinterEllisonRuddWatts (effective 1 January 2020)	Consultant
	Fletcher Building Industries Limited	Director
	New Zealand Experience Limited (appointed 1 February 2020)	Director
	On Being Bold Limited	Director
	Rainbow's End Theme Park (appointed 1 February 2020)	Director
	Rangatira Limited	Director
	Tourism Holdings Limited	Director
	Council of the University of Auckland (appointed 26 February 2020)	Member
	New Zealand Treasury Advisory Board	Member
	Council Executive Board of the New Zealand China Council (resigned 13 December 2019)	Member
	St. Jude's Trust	Trustee

There were no specific disclosures made during the year of any interests in transaction entered by Fletcher Building or any of its subsidiaries.

## 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 Board Charter requires non-executive directors (or their associates) to hold at least 20,000 shares in the Company to demonstrate their commitment and alignment with the Company. This shareholding can be acquired at any time prior to the Annual Shareholders' Meeting at which they are first subject to re-election. 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 2020.

Director	Ownership	Ordinary Shares	Capital Notes
Bruce Hassall (Chair)	Beneficial	22,242	
Martin Brydon	Beneficial	20,000	
Barbara Chapman	Beneficial	20,000	
Peter Crowley	Beneficial	20,000	
Rob McDonald	Beneficial	50,000	
Doug McKay	Beneficial	20,000	
Cathy Quinn	Beneficial	30,000	
	Non-Beneficial <sup>(1)</sup>	121,197	28,014,500

<sup>(1)</sup> Cathy Quinn also held a non-beneficial interest in securities as a Trustee of the St. Jude's Trust.



## Statutory Disclosures (Continued)

### 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 2020:

Director	Date of acquisition	Nature of transaction	Consideration	Number of ordinary shares acquired
Rob McDonald	23 August 2019	On-market purchase of shares	NZ\$93,950	20,000
Cathy Quinn	23 August 2019	On-market purchase of shares	NZ\$46,975	10,000

### 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 2020. In particular 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 2020.

### DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 JUNE 2020

The total number of voting securities of Fletcher Building at 30 June 2020 was 824,256,416 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	16,060	45.54	6,867,334	0.83
1,001 - 5,000	13,563	38.46	32,796,261	3.98
5,001 - 10,000	3,154	8.95	22,617,097	2.75
10,001 - 100,000	2,336	6.62	53,682,821	6.51
100,001 and over	152	0.43	708,292,903	85.93
<b>Total</b>	<b>35,265</b>	<b>100.00</b>	<b>824,256,416</b>	<b>100.00</b>

### SUBSTANTIAL PRODUCT HOLDERS

According to notices given under the Financial Markets Conduct Act 2013, the following persons were substantial product holders of the Company as at 30 June 2020. The total number of voting securities of Fletcher Building Limited at 30 June 2020 was 824,256,416 fully paid ordinary shares.

Substantial product holder	Number of ordinary shares in which relevant interest is held	Date of notice
Allan Gray Group	41,759,869	22 May 2020
Perpetual Limited and subsidiaries	73,249,760	31 March 2020
Schroder Investment Management (Australia) Limited	53,315,281	10 February 2020
The Vanguard Group, Inc.	47,403,706	18 December 2018
Commonwealth Bank of Australia <sup>(1)</sup>	41,967,254	19 March 2018

<sup>(1)</sup> From 2000-2019 Colonial First State Global Asset Management (CFSGAM) was part of the Commonwealth Bank of Australia group's wealth management division. In August 2019 Mitsubishi UFJ Trust and Banking Corporation acquired the business. CFSGAM rebranded itself as First Sentier Investors. Since that time, there have been no updates to the former CBA SPH notices, nor has there been a new SPH notice issued by First Sentier.

## 20 LARGEST SHAREHOLDERS AS AT 30 JUNE 2020

Holder Name	Number of ordinary shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	95,112,117	11.54
JP Morgan Nominees Australia Limited	80,981,758	9.82
Citicorp Nominees Pty Limited	64,771,537	7.86
HSBC Nominees (New Zealand) Limited - NZCSD	58,705,623	7.12
Citibank Nominees (New Zealand) Limited - NZCSD	47,477,492	5.76
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD	42,013,712	5.10
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	40,073,744	4.86
National Nominees Limited	37,051,710	4.50
Accident Compensation Corporation - NZCSD	29,755,424	3.61
National Nominees Limited - NZCSD	21,877,012	2.65
BNP Paribas Nominees Pty Ltd	14,314,937	1.74
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	13,965,299	1.69
BNP Paribas Noms Pty Ltd	13,921,062	1.69
BNP Paribas Nominees (NZ) Limited - NZCSD	12,553,924	1.52
New Zealand Depository Nominee Limited	10,817,812	1.31
BNP Paribas Nominees (NZ) Limited - NZCSD	10,091,584	1.22
ANZ Wholesale Australasian Share Fund - NZCSD	9,365,644	1.14
JBWere (NZ) Nominees Limited	8,015,842	0.97
ANZ Custodial Services New Zealand Limited - NZCSD	6,766,210	0.82
FNZ Custodians Limited	6,341,074	0.77
<b>Total</b>	<b>623,973,517</b>	<b>75.69</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 2020, total holding in NZCSD were 313,045,536 or 37.98% of shares on issue.

## AUDITOR FEES

EY has continued to act as auditors of the Group. Please refer to note 6 of the financial statements for audit fees paid to EY in the financial year to 30 June 2020.

## CREDIT RATING

The Group has not sought and does not hold a credit rating from an accredited rating agency.

## DONATIONS

Please refer to note 6 of the financial statements for donations made in FY20. All political donations must be approved by the Board.

## Statutory Disclosures (Continued)

### SUBSIDIARY COMPANY INFORMATION

The persons listed below respectively held office as directors of Fletcher Building Limited and its subsidiary companies as at 30 June 2020, or in the case of those persons with the letter (R) after their name ceased to hold office during the year. Alternate directors are indicated with an (A). Except where shown below, Fletcher Building's indirect ownership interest as at 30 June 2020 was 100%.

No employee of Fletcher Building appointed as a director of Fletcher Building Limited or its subsidiaries receives or 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 under Employee Remuneration on page 58. 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	C Bolt (R), B McKenzie, P Reidy
Austral Bronze Crane Copper Pty Limited	M Brodie, B McKenzie
Australian Construction Products Pty Limited	C Bolt (R), B McKenzie, N Sumich, F Hopkins (A) (R)
Bandelle Pty Limited	M Brodie, D Le Quesne (R), N Sekul
Baron Insulation Pty Ltd	P Lavelle, B McKenzie, D Frost (A) (R)
Boden Building Supplies Limited (70%)	P Boden, B McEwen
Building Choices Limited (75%)	G Close, B McEwen
Building Prefabrication Solutions Limited	B McEwen, B McKenzie
Cleaver Building Supplies Limited (75%)	M Cleaver, B McEwen
Crane Enfield Metals Pty Limited	M Brodie, B McKenzie, D Clark (A) (R)
Crane Group Pty Limited	M Brodie, B McKenzie
Crane Share Plan Pty Ltd	M Brodie, B McKenzie
Crevet Pipelines Pty Ltd	B McKenzie, N Sumich, F Hopkins (A) (R)
Crevet Pty Ltd	M Brodie, B McKenzie
CTCI Pty Limited	J Burgess, B McKenzie, J Nicolazzo (A) (R)
Davis & Casey Building Supplies Limited (70%)	T Davis (R), B McEwen
Delcon Holdings (No. 11) Limited	C Bolt (R), D Fradgley, B McKenzie
ee-Fit Pty Limited	P Lavelle, B McKenzie, D Frost (A) (R)
Efa Technologies Pty Limited	C Bolt (R), M Brodie, B McKenzie
Fairbairn Building Supplies Limited (75%)	C Fairbairn (R), B McEwen
FBHS (Aust) Pty Limited	B McKenzie, A Wilson (R), T Broxham, J Chan (A) (R)
FBII (Puhoi) Limited	C Bolt (R), B McKenzie, P Reidy
FBSOL Pty Limited	B McKenzie, A Wilson (R), T Broxham, J Chan (A) (R)
Fletcher Building (Australia) Pty Limited	C Bolt (R), M Brodie, D Le Quesne (R), A Clarke, B McKenzie, N Sekul, M Paterson (A) (R), D Clark (A) (R)
Fletcher Building (Fiji) Pte Limited	H Clarke, A Kumar, B Leach, C White
Fletcher Building Educational Fund Limited	C Carroll, J McDonald, P Muir
Fletcher Building Holdings Limited	C Bolt (R), A Clarke, B McKenzie
Fletcher Building Holdings New Zealand Limited	C Bolt (R), A Clarke, B McKenzie
Fletcher Building Industries Limited	M Brydon, A Carter (R), B Chapman, P Crowley, B Hassall, R McDonald, D McKay, C Quinn, S Vamos (R)
Fletcher Building Infrastructure Investments Limited	C Bolt (R), M Kernahan (R), B McKenzie, P Reidy
Fletcher Building Limited	M Brydon, A Carter (R), B Chapman, P Crowley, B Hassall, R McDonald, D McKay, C Quinn, S Vamos (R)
Fletcher Building Nominees Limited	J Chapman, M Farrell, J McDonald, H McKenzie, C Munkowits, G Niccol
Fletcher Building Products Australia Pty Limited	M Brodie, B McKenzie
Fletcher Building Products Limited	C Bolt (R), H McBeath, B McKenzie

Company	Directors
Fletcher Building Share Schemes Limited	J McDonald, G Niccol
Fletcher Building Welfare Fund Nominees Limited	R Linton, D Lucas, S Schulz, D Sixton
Fletcher Challenge Building Bolivia S.A.	M Binns, K Cowie, H Ritchie
Fletcher Challenge Building UK Limited	S Evans, B McKenzie
Fletcher Challenge Finance Investments Limited	C Bolt (R), A Clarke, B McKenzie
Fletcher Challenge Forest Industries Limited	S Evans, B McKenzie
Fletcher Challenge Industries S.A.	M Binns, K Cowie, H Ritchie
Fletcher Concrete (Fiji) Pte Limited	C Bolt (R), A Kumar, B Leach, C White
Fletcher Concrete and Infrastructure Limited	C Bolt (R), I Jones, H McBeath, B McKenzie
Fletcher Construction (Solomon Islands) Limited	B Leach, C White
Fletcher Construction Buildings Limited	B McKenzie, P Reidy
Fletcher Construction Company (Fiji) Pte Limited	B Leach, J Matthews
Fletcher Construction Infrastructure Limited	B McKenzie, P Reidy
Fletcher Development Limited	S Evans, B McKenzie
Fletcher Distribution Limited	C Bolt (R), B McEwen, B McKenzie
Fletcher Insulation Pty Limited	P Lavelle, B McKenzie, D Frost (A) (R)
Fletcher Morobe Construction Limited	B Leach, L Mathias (R), R Simpson
Fletcher Property Developments UK Limited	S Evans, B McKenzie
Fletcher Property Investments UK Limited	S Evans, B McKenzie
Fletcher Property Limited	C Bolt (R), A Clarke, B McKenzie
Fletcher Residential Limited	C Bolt (R), B McKenzie, S Evans
Fletcher Steel Limited	C Bolt (R), H McBeath, B McKenzie
Forman Building Systems Limited	C Bolt (R), B McEwen, B McKenzie
Gatic Pty Limited	B McKenzie, N Sumich
Geoff Brown Building Supplies Limited (75%)	G Brown (R), B McEwen
Geraldton Independant Building Supplies Pty Limited	J Burgess, B McKenzie
Graeme Joy Building Supplies Limited	B McEwen
Higgins Contractors Limited	C Bolt (R), B McKenzie, P Reidy
Higgins Group Holdings Limited	C Bolt (R), B McKenzie, P Reidy
Iplex Pipelines Australia Pty Limited	B McKenzie, N Sumich, F Hopkins (A) (R)
Iplex Pipelines NZ Limited	C Bolt (R), H McBeath, B McKenzie
Iplex Properties Pty. Limited	B McKenzie, N Sumich
Jeffcoats Building Supplies Ltd (68%)	R Jeffcoat, B McEwen
Kemsley Fields Limited (56.8%)	S Evans, R Peachey
Kenna Building Supplies Limited	B McEwen
Key Plastics Pty. Ltd.	B McKenzie, N Sumich, F Hopkins (A) (R)
Kimura Building Supplies (2016) Limited	J Kimura (R), B McEwen
Kingston Bridge Engineering Pty Ltd	B McKenzie, N Sumich, F Hopkins (A) (R)
Kinsey Kydd Building Supplies Limited (75%)	S Kinsey, B McEwen
Koning Building Supplies Limited	B McEwen
Koyana Rocla Pipes Limited	M Kotnis, G Sharma, C Shiralkar, A Mahesh
Kusabs Building Supplies Limited (75%)	G Kusabs, B McEwen
Laminates Holdings Pty Limited	J Burgess, B McKenzie
Laminex Group Pty Limited	J Burgess, B McKenzie, J Nicolazzo (A) (R)
Laminex Overseas Holdings Pty Limited	M Brodie, D Le Quesne (R), N Sekul
Laminex US Holdings Pty Limited	M Brodie, D Le Quesne (R), N Sekul

## Statutory Disclosures (Continued)

Company	Directors
Leary Building Supplies Limited (75%)	B Leary, B McEwen
Macready Building Supplies Limited (75%)	J Macready, B McEwen
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
Mico New Zealand Limited	C Bolt (R), B McEwen, B McKenzie
Milnes Holdings Limited	M Brodie, B McKenzie
Moire Road General Partner Limited (51%)	A Crocker, S Evans, S Rapson, D Schwartzfeger (R)
Morinda Australia Pty Limited	B McKenzie, A Wilson (R), T Broxham, J Chan (A) (R)
New Zealand Ceiling & Drywall Supplies Limited (90%)	C Bolt (R), D Thomas
Northern Iron and Brass Foundry Pty. Ltd.	B McKenzie, N Sumich, F Hopkins (A) (R)
Oliveri Solutions Pty Limited	T Broxham (R), B McKenzie, SL Naish, P Dudney (A) (R)
Paul Robinson Building Supplies Limited (75%)	B McEwen, P Robinson
Pavement Technology Limited	C Bolt (R), B McKenzie, P Reidy
Penny Engineering Limited	C Bolt (R), B McKenzie, P Reidy
Penrose Retirement Nominees Limited	J Chapman, M Farrell, J McDonald, H McKenzie, C Munkowits, G Niccol
PlaceMakers Limited	C Bolt (R), B McEwen, B McKenzie
PlaceMakers Supply, Fix & Install Limited (75%)	G Close, B McEwen
Polymer Fusion Education Pty Ltd	B McKenzie, N Sumich
Raylight Aluminium Limited (87.5%)	G Close, B McEwen
Reece Building Supplies Limited (75%)	B McEwen, J Reece
Rocla Australia Pty Limited	C Bolt (R), M Brodie, B McKenzie
Rocla Concrete Pipes Pty Limited	C Bolt (R), M Brodie, B McKenzie
Rocla Industries Pty Limited	M Brodie, D Le Quesne (R), N Sekul
Rocla Pty Limited	C Bolt (R), B McKenzie, N Sumich, F Hopkins (A) (R)
Rocla Vic Pty Limited	M Brodie, D Le Quesne (R), N Sekul
S Cubed Pty Limited	B McKenzie, A Wilson (R), T Broxham, J Chan (A) (R)
Selwyn Quarries Limited	C Bolt (R), I Jones, B McKenzie
Shed Boss NZ Limited	C Bolt (R), D Fradgley, B McKenzie
Southbound Building Supplies Limited (75%)	B McEwen, A Rance
Stanley Building Supplies Limited (75%)	B McEwen, B Stanley-Joblin
Steven Marshall Building Supplies Limited (65%)	S Marshall (R), B McEwen
Stickland Building Supplies Limited	B McEwen
Stramit Corporation Pty Limited	B McKenzie, A Wilson (R), T Broxham, J Chan (A) (R)
Sullivan & Armstrong Building Supplies Limited	B McEwen
Tasman Australia Pty Limited	M Brodie, D Le Quesne (R), N Sekul
Tasman Building Products Pty Limited	M Brodie, D Le Quesne (R), N Sekul
Tasman Insulation New Zealand Limited	C Bolt (R), H McBeath, B McKenzie
Tasman Sinkware North America, Inc.	C Bolt (R), M Brodie
TBP Group Pty Limited	M Brodie, D Le Quesne (R), N Sekul
Terrace Insurances (PCC) Limited	C Bolt (R), K Carten, M Eades, B McKenzie, T Williams
The Fletcher Construction Company (Fanshawe Street) Limited	C Bolt (R), B McKenzie, P Reidy
The Fletcher Construction Company Cook Islands Limited	B Leach, B McKenzie, P Reidy
The Fletcher Construction Company Limited - NZ	C Bolt (R), B McKenzie, P Reidy
The Fletcher Construction Company Limited (Samoa Branch)	C Bolt (R), B McKenzie, P Reidy

Company	Directors
The Fletcher Organisation (Vanuatu) Limited	B Leach, Diract Ltd, Lotim Ltd
The Fletcher Trust and Investment Company Limited	C Bolt (R), B McKenzie, P Reidy
Thomas Street Pty Limited	C Bolt (R), M Brodie, B McKenzie
Tradelink Pty Ltd	T Broxham (R), B McKenzie, SL Naish, P Dudney (A) (R)
Winstone Wallboards Limited	C Bolt (R), H McBeath, B McKenzie, D Thomas
Young Building Supplies Limited (75%)	B McEwen, C Young (R)

As at 30 June 2020, Fletcher Building held an indirect ownership interest in the following associates and joint ventures.

Company	Ownership	Company	Ownership
Altera Apartments General Partner Limited	50%	Kaipara Water Transport Limited	25%
Altus NZ Limited	50%	NX2 Hold GP Limited	13.40%
Bellus Apartments General Partner Limited	50%	Oamaru Shingle Supplies Limited	33.33%
Byfords Read-Mix Limited	50%	P2W Services Limited	50%
Cromwell Certified Concrete Limited	50%	Rangitikei Aggregates Supplies Limited	50%
Greenraft Limited	33.33%	Rodney Aggregates Supplies Limited	50%
Hexion Australia Pty Limited	50%	Saltus Apartments General Partner Limited	50%
Illico Apartments General Partner Limited	50%	South Pacific Cement Limited	14.85%
Interpipe Holdings Limited	50%	Verto Apartments General Partner Limited	50%
JFC Pumps 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

Andrew Clarke  
Group General Counsel and Company Secretary

Daniel Beecham  
Chief Information Officer

Claire Carroll  
Chief People and Communications Officer

Wendi Croft  
Chief Health and Safety Officer

Steve Evans  
Chief Executive Residential and Development

Dean Fradgley  
Chief Executive Australia

Ian Jones  
Chief Executive Concrete

Hamish McBeath  
Chief Executive Building Products

Bruce McEwen  
Chief Executive Distribution

Peter Reidy  
Chief Executive Construction

## REGISTERED OFFICE

### New Zealand

Fletcher Building Limited  
810 Great South Road, Penrose  
Auckland 1061, New Zealand  
Private Bag 92114  
Auckland 1142, New Zealand  
Phone: +64 9 525 9000  
Email: [fbcomms@fbu.com](mailto:fbcomms@fbu.com)  
Web: [www.fletcherbuilding.com](http://www.fletcherbuilding.com)

### Australia

Level 4, 68 Waterloo Road  
Macquarie Park, NSW 2113, Australia  
Locked Bag 3501  
North Ryde BC, NSW 1670, Australia  
Phone: +61 2 8986 0900

## 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  
Level 2, 159 Hurstmere Road,  
Takapuna, Auckland 0622, 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, VIC 3001, Australia  
Yarra Falls, 452 Johnston Street  
Abbotsford, VIC 3067, Australia  
Phone: 1800 501 366 (within Australia)  
Phone: +61 3 9415 4083 (outside Australia)

### Receiving your communications electronically

We encourage shareholders to receive investor communications electronically as it keeps costs down, delivery of our communications to you is faster and it is 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.



