Climate Statements 2024

Fletcher Building Limited

Fletcher Building

Message from the Acting Chair and Managing Director

Fletcher Building is pleased to present our inaugural Climate Statements, prepared in accordance with the Aotearoa New Zealand Climate Standards.

These statements provide an overview of our approach to climate-related risks and opportunities, our governance structures, and our strategic response to the evolving landscape shaped by climate change.

Our purpose of "improving the world around us through smart thinking, simply delivered" and our values of "Protect", "Be Bold", "Customer Leading", and "Better Together" underpin our commitment to sustainability and climate action. These values guide us as we navigate the challenges and opportunities presented by climate change.

In looking to adapt our business to be more resilient to climate change, we have benefitted from ongoing analysis of our physical climate-related risks and impacts, which we began in FY20. This analysis shows that the current and expected future impact is relatively moderate, and the key exposure to manage across the Group arises from flooding. We anticipate that transition risks and opportunities may be more significant for our business. In regard to mitigation, we are actively working to reduce our emissions, with a focus on our cement operations, electricity use in Australia, and process heat and transport in New Zealand. Our '30 by 30' Science-Based Target to reduce Scope 1 and 2 GHG emissions by 30% by 2030 from a 2018 baseline underscores our commitment.

We have made progress against this target, and our combined Scope 1 and 2 GHG emissions for FY24 are 19% lower than the FY18 baseline. However, we recognise there is much more to do. We have also made progress towards developing our Transition Plan which outlines key focus areas, including the emissions reductions described above, developing lower carbon products and services, and enhancing our resilience and adaptation to climate risks.

We continue to invest in sustainable, local manufacturing, with over $800 million invested in productive assets and sustainable manufacturing in New Zealand, Australia, and across the Pacific over the past five years. Key initiatives include:

- Laminex® New Zealand's $350 million Taupō plant expansion in progress, set to begin production in late 2026 and expand our provision of wood-based products into the market.
- PlaceMakers® Frame & Truss's redevelopment of an Onehunga manufacturing site, enhancing efficiency and increasing local production capacity for structural wood products.
- The completion of Winstone Wallboards® $400 million new GIB® plant, which is expected to deliver a 13% reduction in CO_2e emissions per square metre of board produced compared with the old Auckland plant. This new plant includes onsite recycling and reuse of process wastewater, plus innovative technology providing the capability for waste plasterboard recycling.
- The completion of LowCO™, our sustainable homes of the future project, which demonstrates how to reduce lifetime carbon emissions in residential construction consistent with a 1.5 degree future.
- Our ongoing efforts to reduce process heat derived from coal with lower carbon biomass and waste end-of-life tyres in our cement operations.

Transparency and collaboration are crucial as we navigate the complex challenges arising from climate

change. We are engaging with our suppliers, customers, and other stakeholders on climate-related matters. We're also investing in innovation to develop more sustainable building solutions and contributing to industry-wide efforts to decarbonise.

The construction and building materials sector has an important role to play in addressing climate change. As we work towards our Net Zero by 2050 goal, we remain committed to balancing the needs of our business, our customers, and the environment. We believe that by embracing the challenges and opportunities presented by climate change, we can create long-term value for all our stakeholders while contributing to a more sustainable future.

We invite you to review our Climate Statement and join us on this critical journey towards a low-carbon, resilient future for our industry and for Aotearoa New Zealand.

Barbara Chapman
Acting Chair,
Fletcher Building Limited

Andrew Reding
Managing Director and CEO,
Fletcher Building Limited

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About Fletcher Building

Fletcher Building is a manufacturer, retailer, home builder and partner on major construction and infrastructure projects.

Fletcher Building operates diversified businesses across our core markets of New Zealand and Australia, from resource extraction, product manufacturing and distribution through to property development and infrastructure construction.

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

Fletcher Building's objective is to deliver leading building materials and customer solutions in the New Zealand and Australian markets, which is driven by the key focus areas below. For more details about Fletcher Building and our work in sustainability, including performance data, see our website https://fletcherbuilding.com/.

SAFETY

A place where the belief that 'all injuries are preventable' is possible, together we work to send each of our people home safely, every day.

CUSTOMER

Relentless focus on providing more of the products, services and solutions our customers love.

INNOVATION & GROWTH

Investing in sustainable business and the next generation of building products and services for our local markets.

OPERATIONAL & FINANCIAL PERFORMANCE

Well run businesses that are disciplined on cost and profitable with good margins as we perform through the cycle of our industry.

SUSTAINABILITY

Decarbonising, minimising waste and continually innovating to produce better, more sustainable products and homes.

CAPABLE & HIGHLY ENGAGED PEOPLE

A culture of inclusive and diverse workplaces, where people feel a sense of belonging and can reach their full potential.

Reporting entity

These Climate Statements are the group climate statements for Fletcher Building Limited and its subsidiaries.

When used in these statements, references to the 'Company' are references to Fletcher Building Limited. References to 'Fletcher Building', 'we', 'our' or the 'Group' are to Fletcher Building Limited together with its subsidiaries and, where relevant, its interests in associates and joint ventures.

These Climate Statements relate to our continuing operations, and in all cases exclude Tradelink operations unless otherwise stated. Fletcher Building completed the sale of 100% of the shares in Tradelink, previously the Company's Australian plumbing supplies and distribution business, on 30 September 2024.

The scope of the reporting entity aligns with that used in the Group's 2024 consolidated financial statements.

Reporting period and currency

These Climate Statements have been prepared for the financial year ended 30 June 2024 (FY24). All references to financial years are to the financial year ended 30 June. References to $ and NZ$ are to New Zealand dollars unless otherwise stated. Information, including metrics, has been stated on the basis of our continuing operations and excludes Tradelink unless otherwise stated.

Statement of compliance

These Climate Statements are the Company's first climate-related disclosures under the Aotearoa New Zealand Climate Standards (NZ CS), comprising NZ CS 1: Climate-related Disclosures (NZ CS 1), NZ CS 2: Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2) and NZ CS 3: General Requirements for Climate-related Disclosures (NZ CS 3).

These Climate Statements have been prepared in compliance with the requirements of the NZ CS. In these Climate Statements, the Company has elected to apply the NZ CS 2 adoption provisions detailed below.

NZ CS 2 Adoption Provisions used in these Climate Statements

In recognition that it may take time to develop the capability to produce high-quality climate-related disclosures, and that some disclosure requirements, by their nature, may require an exemption, NZ CS 2 provides a limited number of adoption provisions from the disclosure requirements in Aotearoa New Zealand Climate Standards.

The NZ CS 2 Adoption Provisions which have been used by Fletcher Building in the preparation of these Climate Statements are:

Adoption provision 1: Current financial impacts

This adoption provision provides an exemption from disclosing the current financial impacts of the physical and transition impacts identified and from disclosing an explanation of why the Company is unable to disclose this information (if applicable). In these Climate Statements, we have not identified or included the current financial impacts of transition risks.

We have provided an assessment of the current financial impacts of physical risks to assets under our direct control. This assessment, however, excludes assets of construction projects, and assets held by joint ventures or associates where the Group has joint control or significant influence. Additionally, we have not assessed the current financial impacts of physical risks associated with critical external infrastructure and transport networks that our operations depend on, such as power grids or supply chains. These exclusions reflect the complexities involved in assessing indirect impacts and the evolving nature of climate risk assessment methodologies.

Adoption provision 2: Anticipated financial impacts

This adoption provision provides an exemption from disclosing the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity and from disclosing an explanation of why the Company is unable to disclose this information (if applicable). It also provides an exemption from disclosing a description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur.

Consistent with adoption provision 1, we have provided an assessment of the anticipated financial impacts of physical risks for assets under our direct control. This assessment, however, excludes assets held by joint ventures or associates where the Group has joint control or significant influence. We have not provided an assessment of anticipated financial impacts of transition risks.

Adoption provision 3 – Transition planning

This adoption provision provides an exemption from disclosing the Transition Plan aspects of an entity's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities. In these Climate Statements we describe the current work towards developing our Transition Plan, and the aspects of the Transition Plan that require further work to be fully developed.

This adoption provision also provides an exemption from disclosing the extent to which Transition Plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes. In these Climate Statements, we note our general approach and progress to date on aligning capital deployment with our Transition Plan, although further work is required to align such processes as we continue to develop our Transition Plan.

Adoption Provision 4: Scope 3 GHG emissions

This adoption provision provides an exemption from disclosing Scope 3 Greenhouse Gas (GHG) emissions in an entity's first reporting period.

We have provided Scope 3 GHG emissions for all GHG Protocol Supply Chain Categories other than the GHG Protocol Supply Chain Categories Use of sold products, Downstream leased assets, and Processing of sold products.

Adoption provision 6: Comparatives for metrics

This adoption provision provides an exemption in an entity's first reporting period from disclosing comparative information for the immediately preceding two reporting periods. We have provided comparative information for Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions, and emissions intensity for Scope 1 and 2 GHG emissions in these Climate Statements. We have not provided comparative information for other metrics in these Climate Statements.

Adoption provision 7: Analysis of trends

This adoption provision provides an exemption in an entity's first reporting period to provide an analysis of the main trends evident from a comparison of each metric from previous reporting periods. We have provided an analysis of the main trends from a comparison of our Scope 1, 2 and 3 GHG emissions in these Climate Statements. We have not provided an analysis of main trends for other metrics in these Climate Statements.

On behalf of the Board, 22 October 2024.

Barbara Chapman
Acting Chair,
Fletcher Building Limited

Cathy Quinn
Director
Chair, SHES Committee

Sandra Dodds
Director
Chair, Audit and Risk Committee

Our governance of climate-related risks and opportunities

Overall Governance

The Fletcher Building board of directors (the Board) is committed to the long-term resilience of Fletcher Building and is responsible for the overall strategic direction of the Group's climate and sustainability governance, including the oversight of climate-related risks and opportunities. The Board charter states (inter alia) that the Board is responsible for overseeing Fletcher Building's commitment to sustainable development, the environment, and health and safety of its people. The Board approves the Sustainability Policy and sustainability related targets, the Risk Management Policy, and the annual GHG emissions reporting in the Group's Annual Report.

The Board has specifically delegated responsibility for climate-related matters to the Audit and Risk Committee (the ARC), and the Safety, Health, Environment and Sustainability Committee (the SHES Committee). This facilitates the regular monitoring of financial and non-financial risks associated with climate-related matters. Both committees are guided by their respective charters (available in the Corporate Governance section of on the Fletcher Building website).

Oversight Committees

Both the ARC and the SHES Committee meet no fewer than four times per year.

The ARC oversees that risks (including climate-related risks) are managed in accordance with Fletcher Building's Risk Management Policy. It also maintains oversight of Fletcher Building's Risk Register and reviews it regularly with management to track existing risks and the emergence of new risks twice a year, and additionally as required by the Board. Emissions performance and review of the Group's progress against its carbon reduction roadmap, which is a key component of Fletcher Building's Transition Plan, are reported at least twice per year to the SHES Committee. Climate-related risks are reported as an output of physical analysis approximately every two years.

The Climate Statements will be reviewed annually by the Board, the ARC, and the SHES Committee.

Risk summaries and the updates relating to the New Zealand Emission Trading Scheme (the ETS) are typically reported to the ARC at least annually. In addition, climate-related risks with a business unit level impact are assessed as part of the business resilience key risk categories approximately every two years.

The SHES Committee is responsible for Fletcher Building's sustainability strategy and is also responsible for assessing, actioning and driving environmental, social and governance (ESG) issues, reviewing performance and considering the long-term sustainability strategy. The SHES Committee reviews Fletcher Building's annual GHG Emissions Inventory and reviews the Group's environment, health and safety (EHS) policy biennially.

The Chairs of each committee provide report back sessions with the full Board on matters discussed in each committee meeting.

Skills and Competence

Climate change considerations are integrated into the Board's skills assessment process.

The Board continues to expand its climate-related expertise through targeted education sessions. In April 2024, the Board participated in an externally facilitated in-depth exploration of regulatory, legal and practical aspects of current and forecast climate-related risks and opportunities. The Board actively seeks and receives internal and external expertise and advice related to climate-related risks as required. Ongoing education, along with regulatory and market updates, is regularly provided to the ARC and the

SHES Committee members during committee meetings. Additionally, the Board's climate capability is strengthened through individual directors' experiences on boards of other climate reporting entities.

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. For FY23 and FY24, the Board's functional expertise skills matrix has been expanded to include the category of "environmental, social and governance", which includes climate-related matters. An assessment of the Board against this skills matrix is included on page 53 of the Group's FY24 Annual Report and in in the Group's other Annual Reports, which are available at https://fletcherbuilding.com.

The People and Remuneration Committee (the PRC) supports the Board in setting climate-related matters within short term incentive (STI) frameworks for relevant members of the executive team (which are then incorporated in other management STIs as appropriate). Achievement of executive STI performance is reviewed by the PRC annually for those executives with climate-related STI objectives. The Board assigns climate-related goals and targets to management annually via agreed strategic objectives, and climate-related STI objectives for relevant executives.

How climate-based targets are set, and how risks and opportunities are considered

Fletcher Building's emissions reduction target was set and verified in December 2019 in accordance with the Science-based Targets Initiative (SBTi) process for setting targets in line with a 'well-below 2 degrees' future. SBTi looked at the impact across the Group's sectors of operation as part of setting the target, which is to achieve a 30% reduction in Scope 1 and Scope 2 GHG emissions by 2030 from a 2018 baseline.

In FY22, Fletcher Building reviewed the Sustainability Strategy for the business and assessed sustainability goals and targets. This review of the strategy was informed by the physical and transition risk and opportunity analysis undertaken in FY22, and the refreshed strategy included goals to increase the provision of sustainably certified and lower carbon products and services as a strategic goal, and to set a long-term goal of net zero emissions by 2050.

Progress against climate-related goals is reported to the SHES Committee.

Climate-related physical risks and transition risks and opportunities are reported to the ARC.

Physical risks are considered as part of long-term asset management plans and investment strategies for the business.

Transition risks, such as the impact of carbon pricing on operational costs, and transition opportunities, such as market demand for more sustainable products and services, are also considered within asset management and investment strategies and other capital deployment decisions, as further described in the 'Integration of our Transition Plan into capital deployment and decision-making' section of these Climate Statements.

No physical climate-related opportunities have been identified to date, and no formal review of these has been undertaken by the Board.

Fletcher Building continues to embed climate considerations into its strategy and operations, as illustrated below:

- Fletcher Building's GHG emissions have been published since 2008, and from 2018 these have been audited, which has covered the basis of calculation, methodology applied, exclusions, targets, and re-baselining.

- In 2020, through Aon New Zealand, Fletcher Building completed a physical risk assessment of its assets to impacts from climate change, which was repeated in 2022. Both assessments were based on a Representative Concentration Pathway (RCP) 8.5 worst-case scenario and pointed to modest risk exposure from climate stressors.
- In 2022, Fletcher Building undertook a high-level internal assessment of transition risks and opportunities expected to arise over the three to ten year horizon, from which key risks and opportunities were publicly disclosed.
- In 2023, the Group's Risk Framework was externally reviewed by a third-party consultant, including a review of the governance and processes for assessing climate-related risks and opportunities. The framework was noted as fundamentally sound. The Group is currently progressing and implementing the proposed amendments from that review.
- Also in 2023, Fletcher Building participated in a New Zealand Green Building Council (NZGBC) work stream to develop climate scenarios for the construction and property sectors in New Zealand. This work stream also included a broad assessment of climate-related risks and opportunities for the sector.
- These scenarios were discussed and agreed with the ARC as the basis for assessing physical and transition risks and opportunities.
- In 2023 and 2024, building on this foundation, through Aon New Zealand, Fletcher Building conducted further scenario analysis, leveraging the developed scenarios specific to its operations. This analysis focused on identifying both physical and transition risks and opportunities relevant to the Group. This entailed educating and engaging various divisions to understand and provide input on the impacts, risks, and opportunities related to climate change.
- With these scenarios as the basis, subject matter experts across our New Zealand divisions and relevant Group functions attended workshop sessions on transition risks and opportunities to inform consideration of impacts in their business unit, and form the prioritised list of transition risks and opportunities in these Climate Statements.
- A summary of this detailed analysis was presented to the Board to consider and inform future decision making. Subsequent sections of these Climate Statements provide an overview of the scenario analysis methodologies employed and the specific risks and opportunities identified for Fletcher Building.
- In May 2024, the ARC approved a Carbon Pricing Framework which introduces an 'internal cost of carbon' to be considered and incorporated within the Group's capital investment decision-making process. The purpose of this is to support the effective evaluation and prioritisation of investments that also materially impact the carbon footprint of the Group or any of its business units, and support the alignment of the Group's capital investment strategy with its sustainability goals and strategy.
- The Group continues to innovate its operational processes to deliver value to its customers and reduce the unfavourable impact these may have on climate change, including presenting divisional updates on climate reduction progress and future initiatives to the SHES Committee. Innovation can be seen in the Board's support of several carbon reduction initiatives, with the most significant examples being support of coal reduction projects for our cement operations, rooftop solar initiatives and the purchase of renewable electricity in Australia; transitioning our Construction diesel fleet to hybrid vehicles; and continued investment and work in water management and recirculation across select sites.

Management's role in assessing and managing climate-related risks and opportunities

The executive team has the highest management-level responsibility for identifying, assessing and managing climate-related risks and opportunities. Supported by the Climate Reporting Working Group (CRWG), the executive team report to the Board on the climate-related impacts on the business and are responsible for implementing the sustainability strategy within their teams and respective business units. This includes the integration of climate transition, mitigation plans and initiatives into 5-year divisional plans, and capital allocation reviews, which are then considered and discussed through the Group's annual budget planning processes and monthly operational reviews.

The executive team are also responsible for confirming that business units are appropriately identifying, assessing and monitoring climate-related risks and opportunities in accordance with our Risk Management Policy and Sustainability Policy, including assessing and reporting the asset value or percentage exposed to physical climate-related risks. The Chief Financial Officer (CFO) and the Chief People and Communications Officer (CPO), as functional management leads for the ARC and the SHES Committee respectively, have management co-accountability for the Fletcher Building's annual Climate Statements.

The Group's Climate Statements are prepared by the CRWG, and assessed and reviewed by the members of the ARC and SHES Committees prior to being endorsed for approval by the Board. The CRWG comprises representatives from Fletcher Building's Communications, Risk, Governance, Sustainability, Investor Relations, and Finance teams.

Reporting to peers/market

Fletcher Building provides disclosures on climate-related matters throughout the year to the market, its customers, insurers and shareholders. Formal reporting on these matters occurs through the Group's financial filings, financial results presentations, investor days, insurance presentations, and at Fletcher Building's Annual Shareholders' Meeting (ASM). Climate-related matters are discussed directly as part of investor and insurer meetings through the year. Regular dialogue with peers, policymakers, and external advisors is undertaken in order for our practices, processes, and frameworks to remain current.

Strategy

Current climate-related physical impacts and financial impacts

Climate-related physical impacts have been assessed for our business. The assessment included analysis across all ~780 Fletcher Building sites, with an insured asset value of $9.1 billion (expressed on the basis of material damage, and excluding business interruption).

Climate-related physical exposure

The assessment showed that the key exposure identified for Fletcher Building assets across the portfolio is from flooding which is primarily rainfall driven, but there are also exposures to river and coastal flooding. The exposure from direct sea level rise is limited.

The assessment shows the flood exposure (current day) is expected to be relatively modest. There are 69 sites across the Group showing High or Very High flood exposure, for at least some proportion of the site including non-critical areas. 45 of the 69 sites are in New Zealand with an asset value of $274 million and the remaining 24 are Australian sites with an asset value of $773 million. We note that the values given here are asset values for flood exposure, and should not be interpreted as an assessment of potential flood impact.

Climate-related physical impact

We have completed a granular analysis of potential flood impact for our New Zealand asset base in FY24, and intend to complete a granular level analysis for Australian assets in FY25.

Material physical impacts were not experienced in FY24, but were experienced in FY23.

During FY23, the impact from Cyclone Gabrielle and North Island Floods in New Zealand experienced by our operations was consistent with the levels of exposure and loss indicated by the modelling described above. The assets impacted were those identified above as being exposed to high or very high flood exposure. The impact amounted to $21 million for property damages and direct remedial works. This includes impairment of property and plant, rectification of damage and remediation of leased assets, and write-down of inventory.

The impacts assessed above for our New Zealand asset base are expressed as impacts without mitigation, and as part of our Transition Plan we will review and assess appropriate mitigation for New Zealand and Australian assets based on this analysis of exposure and impact.

Current transition impacts

We consider the most material current drivers of transition impacts to be changes in current regulations, as well as customer, supplier, shareholder and competitor behaviour. These changes are informing our current business planning processes and strategic reviews.

The key transition impacts we are experiencing from these drivers, along with Fletcher Building's current strategic response, are included in the table below.

Due to the complexity of assessing the transition component of broader business impacts that also encompass transition impacts, we have not quantified these impacts at this time.

Our anticipated transition risks and opportunities are included in Appendix B and Appendix C.

Currently, under NZ CS Adoption Provisions 1 and 2 we have not provided the current or anticipated financial impact of transition risks or opportunities. We will provide this in future Climate Statements.

Transition impacts	Strategic response
Policy and regulatory changes, including carbon pricing policies that disincentivise local manufacture or incentivise imports of more carbon-intensive products by competitors. Policy and regulatory changes including carbon pricing that limit investment in reducing carbon emissions due to increased operational costs up the value chain.	Fletcher Building regularly engages with regulators and ministers on climate-related matters. The Group is monitoring regulatory changes to the ETS and other carbon pricing mechanisms on an ongoing basis, and engages with industry groups and central government on these changes. Regular financial projections are undertaken to understand cost implications of potential regulatory changes to the business.
Potential loss of market share to lower carbon competitor products, if consumer, client and investor expectations on sustainable innovation are not met.	Fletcher Building has committed to achieving our '30 by 30' Science Based Target (SBT). The Group also has targets to increase the revenue from sustainable products year-on-year. Market risks are assessed both at operational and corporate levels with significant risks addressed in the business strategy. The risks of not providing low carbon products or building solutions are included in the Group business strategy processes.
Early introduction of products or services by competitors that have (or are perceived to have) better environmental performance or credentials	Fletcher Building regularly scans for comparable disruptive products globally and plans to introduce appropriate products into the market as an early mover. Fletcher Building has a central Innovation Team that supports business units to identify low carbon products and sustainability innovations.
Greater financial costs to the business and ultimately to end users if alternative renewable energy sources for processing are difficult to access.	Alternative processing technology is being developed with a focus on manufacturing and processing, particularly in the cement business, where initiatives include the use of end-of-life tyres as a source of fuel in place of coal. Changes in pricing policies for energy sources happens incrementally over time, allowing Fletcher Building to prepare and plan for cost implications and reduce end costs to customers. In Australia, Fletcher Building regularly reviews energy costs and market trends, and forward purchases electricity, including renewable electricity, to insulate the business from cost/ supply shocks. A proportion of supply is for renewable energy. In New Zealand, this risk is reduced through hedging and other risk mitigation strategies.
Reduction of attractiveness to stakeholders including investors, shareholders, and insurers resulting in reduced capital availability impacting on value, if perceived as a high carbon emitter.	Fletcher Building has public carbon reduction commitments and has initiatives in place to address the major sources of emission, which are publicly reported. The Group engages with key sustainability networks and is increasing its communication to investors and customers about the various sustainability initiatives and programmes it has available to the market.

Risk Management

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

Responsibility for operational risk management sits with the managers in the individual business units and the divisional chief executives.

Our risk management and assurance processes support this through our Group functions and are ultimately overseen by the Board and the Executive Leadership Team. A dedicated internal audit team takes a risk-based approach to auditing key business activities and reports directly to the Audit and Risk Committee (ARC).

Climate-related risks are assessed as part of our overall risk management process, with detailed scenario analysis of physical climate impacts[1] and risks conducted as a stand-alone assessment in FY20, FY22 and FY24, and a series of workshops and reviews to assess transition risks using the same scenarios carried out in FY24.

The scenario analysis process and outcomes were overseen by the Group's CRWG, which includes the Group's Risk team, to facilitate the integration of outcomes of the scenario analysis into the overall risk management process, including providing high level information to insurers on climate-related risks at least annually as part of our insurance renewal process.

Risks relevant at Business Unit or site level are discussed as part of the business unit and divisional assessment of risks, which is facilitated by the Group's Risk team. All operational business units have General Managers (GM) and Senior Leadership Teams (SLT) who are accountable for implementing risk management processes to manage key risks for that business. GMs and the SLT of each business unit are responsible for maintaining a business unit level register for key risks.

Climate-related physical risks with a significant site impact for a business unit will generally be included under the Business Resilience risk category and will also inform our business continuity planning.

Where relevant at business unit level, transition risks will form part of the risk assessment under the Legal and Stakeholder key risks.

This process allows us to prioritise climate-related risks alongside the prioritisation of other risks within business unit risk registers.

A total of 27 risk workshops were held with the individual business unit leadership teams in FY24. These workshops are a key component of Fletcher Building's risk management approach and assist in developing a bottom-up reporting process. Additionally, the risk workshops process supports the individual business units' leadership teams in considering whether appropriate risk management strategies are being pursued.

At an enterprise level, we assess both physical and transition risks across Fletcher Building and report on the asset values impacted by climate-related physical risks.

[1] Scenario analysis conducted to date focuses on risks and impacts to our direct operations in New Zealand and Australia. The scenario analysis did not include the full value chain, and therefore there are likely to be some supply chain dependencies that have not been assessed. The analysis did not include detailed analysis of New Zealand or Australian based joint ventures or associates where Fletcher Building has joint control or significant influence. These will be included in future scenario analysis based on an assessment of their materiality to our business operations.

Scenario analysis

Fletcher Building engaged Aon to assess the physical risk posed by climate change, with assessments conducted in FY20, FY22 and FY24.

These three scenario assessments were stand-alone assessments, with key risks identified from the scenario analysis integrated into the overall strategy for the business through including them in Group level, business unit and divisional risk reviews. The scenarios were used for the assessment of both physical and transition risks and opportunities.

For FY24, three scenarios were assessed for Fletcher Building. The scenarios were based on the New Zealand Green Building Council (NZGBC) 'Climate Scenarios for the Construction and Property Sector'. The NZGBC scenarios were developed with participation from a range of industry and other stakeholders, including building portfolio owners and managers, property developers, construction companies, building product manufacturers, building design consultancies, representatives from the insurance and banking sectors, and public sector entities. Fletcher Building participated in the development of the NZGBC scenarios, with representatives on both the Leadership Group and Technical Working Group during development of the scenarios.

The NZGBC scenarios were then discussed with the ARC, and by agreement downscaled for Fletcher Building using Aon's Combined Hazard Information Platform (CHIP) model for the Group's assets and regions of operation. The three scenarios were:

- ***'Orderly' scenario (1.5°C)*** where decarbonisation policies are enacted immediately and smoothly. Whole of life carbon emission reductions requirements for buildings is at 90% by 2050. The data for this scenario is sourced from downscaled NIWA projections from IPCC AR5 and is aligned to RCP2.6. Once downscaled data for IPCC AR6 is available, this scenario will align to Shared Socioeconomic Pathways (SSP) 1-1.9.
- ***'Disorderly' scenario (<2°C)*** where significant decarbonisation is delayed until 2030, leading to global warming being limited by 2100. The sector faces high transition risks and costs after 2030 as entities rush to decarbonise. The data for this scenario is sourced from downscaled NIWA projections from IPCC AR5 and is aligned to RCP2.6. Once downscaled data for IPCC AR6 is available, this scenario will align to SSP1-2.6.
- ***'Hot House World' scenario (>3°C)*** where global warming reaches more than 3 degrees above pre-industrial levels by 2100. No further decarbonisation policies are enacted. Emissions continue to rise, and the sector faces limited transition risk, but extreme physical risk. This scenario, and the assessments in FY20 and FY22, align to RCP 8.5 and SSP3.

Physical risk modelling specific to Fletcher Buildings assets and key infrastructure links was conducted by Aon using the three scenarios outlined here, and data from global Ambiental flood layers, Aon's bespoke CHIP model (which provides specific exposure and vulnerability data), NIWA rainfall intensity projections, NIWA climate projections, and Australian Bureau of Meteorology sea-level rise and rainfall projections.

Limitations of the scenario analysis

For this initial scenario analysis, we focused on risks and impacts to our direct operations in New Zealand and Australia. The scenarios analysis included Fletcher Building assets and a limited number of key infrastructure links. The scenario analysis did not include the full value chain, and therefore there are likely to be some supply chain dependencies that have not been assessed. These will be included in future scenario analysis based on an assessment of their materiality to our business operations. The analysis did not include analysis of New Zealand or Australian based joint ventures or associates where Fletcher Building has joint control or significant influence. These will be included in future scenario analysis based on an assessment of their materiality to our business operations.

The New Zealand joint ventures and associates that were not included in this initial assessment represent

<1.5% of the total assets of Fletcher Building, and the majority are Tier 2 or Tier 3 assets.

Detailed analysis of Australian joint venture assets was not conducted because, while downscaled data for our regions of operation in New Zealand was available for FY24, downscaled data for all of our regions of operation in Australia was not available. Australian joint ventures represent circa 1% of the total assets of Fletcher Building.

The scenarios used are limited by the information available at the time, and the assumptions made about future states. They are not intended to be probabilistic or predictive. Their intended use is as a tool to support strategic planning by providing a view of multiple plausible future states.

The data sources used in preparing Fletcher Building's three scenarios are set out in Appendix E.

Time Horizons

Physical risk assessment

Time horizons for the physical risk assessment were:

- **Short-Term:** Present–2030
- **Medium-Term:** 2030–2050
- **Long Term:** 2050–2100

These time horizons were selected because the business, and the construction and property sectors in general, are associated with long lived assets that will still be subject to the long-term impacts of climate change.

These horizons are aligned with the Group's business planning processes. The short-term horizon aligns with Fletcher Buildings 2030 SBT for GHG emissions reduction and is broadly aligned with the 5-year business planning cycle, which includes proposed capital deployment for decarbonisation initiatives. The medium-term horizon aligns with Fletcher Buildings 'Net Zero by 2050' strategic goal. The long-term horizon broadly aligns to a 50-year asset lifetime for significant physical assets.

Transition risk assessment

For the transition risk assessment, the same three scenarios were used, with time horizons adjusted to be shorter than the physical risk assessment. The time horizons used were:

- **Short-Term:** 0–5 years
- **Medium-term:** 5–10 years
- **Long term:** 10 or more years

Fletcher Building opted for these shorter time horizons because the nature of transition risks, which are policy, regulatory, market, technology and reputational risks, means that there is limited value and very high uncertainty in assessments with time horizons beyond one to two business planning cycles. The short-term time horizon is aligned to the Group's 5-year planning cycle, and captures most of the period aligned to Fletcher Building's 2030 SBT for GHG emissions reduction.

The medium-term horizon aligns with two business planning cycles. We have noted any risks beyond two business planning cycles as being in the long-term horizon.

Based on the further work undertaken with the assistance of Aon, we believe that the scenarios used are suitable for our organisation's size, product types, operations and asset locations.

The scenarios at a glance

Scenario One

An 'Orderly' scenario where the world succeeds in limiting global temperature increase to 1.5°C above pre-industrial temperatures. Global emissions decline steadily to achieve net zero CO_2 emissions globally by 2050. New Zealand climate policies are ambitious and in line with the rest of the world's, with the building and construction sector adopting and prioritising decarbonisation policies. The energy grid shifts rapidly away from fossil fuel use, with the New Zealand grid reaching 100% renewable by 2050. Alternative fuels are used as a backup, and renewables are utilised onsite instead of fossil fuels.

The shadow price of carbon increases dramatically to align with a 1.5°C trajectory, steadily rising up to \$250/tCO_2e by 2050 (an increase) of ~614% from a 2023 baseline of \$35/tCO_2e). As a result, the cost and lead-times for low carbon materials and products increase through the 2020s and 2030s, but they become more cost and time effective than traditional materials by 2040. The construction sector grows significantly as carbon-supporting infrastructure is replaced with greener, low carbon infrastructure.

Regulatory changes for the property and construction sector include government procurement policies targeting recycled materials and circular economy principles. Stringent energy and carbon caps for new buildings are phased in rapidly. Existing buildings must disclose energy and carbon performance, take steps to remove all reliance on fossil fuels for operation, and scale up energy efficiency.

Pressures on centralised infrastructure increase with the demand for electrification, closing of fossil fuel power stations and direct climate impacts on storm and wastewater networks. Modular, circular designs will take precedence, with existing building re-use and adaptive re-use being in demand rather than new builds. Rapid densification puts pressure on horizontal infrastructure, necessitating significant upgrades.

Significant behavioural change results in an increased demand for energy efficient buildings, increased pressures on public transport, the rise of circular business models and a higher consumer awareness regarding low carbon buildings.

	Increase in average global air temperature (relative to pre-industrial levels)		**Average sea level rise NZ** (from a 1995-2014 baseline)	**Increase in number of hot days in NZ** (from a 1986-2005 baseline)†	**Increase in rainfall intensity in NZ²** (from a 1986-2005 baseline)	**Increase in extreme wind speeds in NZ** (from a 1986-2005 baseline)
2041-2060	**1.6°C**	2031-2050	**0.19m**	**40%**	**6%**	**Up to 5%**
2081-2100	**1.4°C**	2081-2100	**0.39m**	**40%**	**6%**	**Up to 5%**

Scenario Two

A 'Delayed Transition' where policy, technology and behaviour changes remain slow up until 2030. As global emissions continue to rise during the 2020s, concerns about meeting Paris Agreement Goals drives a sudden shift in global policy around 2030. Abrupt and stringent decarbonisation policies are enacted in the 2030s, succeeding in limiting global warming to below 2°C above pre-industrial levels by 2100.

New Zealand follows suit with the rest of the world, leading to abrupt policy and market changes for the property and construction sector post-2030. There is no initial increase in carbon price up to 2030, at which point price rapidly increases to reach $250/t$CO_2$e by 2050.

During the 2020s there is a slow increase in demand for electricity, followed by a surge in demand in the 2030s as New Zealand rushes to electrify our transport networks. The electricity sector is unprepared for the sudden shift in demand at 2030, which causes a delay in adequate expansion of the grid during the 2030s and leads to supply constraints. These constraints result in more frequent blackouts and fluctuations in electricity prices.

During the 2020s, increased regulation within the sector attempts to address the need to decarbonise, but regulation is uneven across local entities and conflicting regulations lead to uncertainty. At 2030 more stringent regulatory changes are introduced. During the 2020s there is less investment signalling for both new and retrofit low carbon buildings, which causes further uncertainty and lack of momentum until 2030. At 2030, significant regulatory changes demand an immediate step change in building energy and carbon requirements.

Limited investment during the 2020s means the spike in demand for low carbon materials, low energy technology and onsite generation in 2030 causes significant disruption for the sector. Competition for availability of products, materials, professional advice and competent installers impacts significantly on both new building and retrofit projects resulting in escalation in development costs.

Pressures on centralised infrastructure are compounded after 2030 due to increasing densification and the increasing impacts of physical climate risks. Spatial planning to prioritise decarbonisation and densification versus climate resilience and managed retreat is inconsistent across the country. This inconsistency leads to increasing uncertainty for the construction and property sector regarding which assets are most likely to become stranded.

Initially the construction and property sector is slow to decarbonise, but 'fast movers' get the opportunity to utilise materials, capital, and knowledge while late movers are disadvantaged when demands peak post-2030.

	Increase in average global air temperature (relative to pre-industrial levels)		**Average sea level rise NZ** (from a 1995-2014 baseline)	**Increase in number of hot days in NZ** (from a 1986-2005 baseline)†	**Increase in rainfall intensity in NZ²** (from a 1986-2005 baseline)	**Increase in extreme wind speeds in NZ** (from a 1986-2005 baseline)
2041-2060	**1.7°C**	2031-2050	**0.2m**	**40%**	**6%**	**Up to 5%**
2081-2100	**1.8°C**	2081-2100	**0.6m**	**40%**	**6%**	**Up to 5%**

Scenario Three

A 'Hot House World' where global emissions continue to grow. Global average temperature rises to greater than 3°C above pre-industrial levels by 2100.

New Zealand's climate change policy remains in keeping with the rest of the world. No further policies are introduced to curb emissions, with the building and construction sector following suit. Regulatory changes are slow and focus on adaptation and managing climate driven immigration/refugees. The price of carbon remains at the current ETS floor price through to 2050. Mandates are introduced to conserve energy for critical functions, as asset and infrastructure damages due to climate change are realised.

New Zealand's electricity grid is gradually decarbonised further in line with current policies. Emission grid factors remain at 0.06 $kgCO_2/kWh$ by 2050 which means buildings wishing to achieve net zero carbon emissions must invest in their own zero carbon generation.

Existing low carbon materials are readily available due to low demand but there is little innovation beyond technologies and materials currently available. Investment is prioritised towards adaptation and climate resilience. Some assets become stranded as building codes increasingly become more stringent regarding the need for buildings to withstand climate impacts (such as storm events, extreme rainfall, heatwaves, and floods).

Centralised infrastructure will show failures and stresses, with some assets becoming stranded due to physical impacts of climate change. Consequently, local councils increase rates to invest in protection and restoration of certain assets.

There are no incentives for meaningful behavioural change. A significant breakdown of social cohesion occurs, with heat stress and mental health impacts from climate change at record levels. Food insecurity and growing populations drive retreat from cities. Spikes in demand for housing occur due to climate-driven immigration from other parts of the world and increasing numbers of climate refugees.

	Increase in average global air temperature (relative to pre-industrial levels)		**Average sea level rise NZ** (from a 1995-2014 baseline)	**Increase in number of hot days in NZ** (from a 1986-2005 baseline)†	**Increase in rainfall intensity in NZ²** (from a 1986-2005 baseline)	**Increase in extreme wind speeds in NZ** (from a 1986-2005 baseline)
2041-2060	**2.1°C**	2031-2050	**0.24m**	**100%**	**8.6%**	**5-10%**
2081-2100	**3.6°C**	2081-2100	**1.08m**	**300%**	**26.1%**	**Up to 10%**

Physical risks and opportunities

General Approach to applying the scenarios

The risk assessment methodology framework was designed to allow assessment at a site level and at an organisation level.

This approach accommodates a broader (high level) review of hazard and exposure at a site level as well as a more detailed assessment for high value or high criticality sites.

The high-level screening of potential physical risks to the Group's sites (and its operations) was guided by the answers to the following questions:

- What are the relevant climate-related hazards and their extent of change over the timeframes of interest?
- Which key sites are exposed to the identified climate-related hazards?
- Are the exposed sites vulnerable to damage/failure because of exposure to the identified hazards?

This assessment has been conducted in FY20, FY22 and FY24 and will be repeated at least every three years. Key findings from the physical risk assessment are incorporated into our Group-level risk reviews, and material risks specific to business unit sites should be captured in our risk registers.

Fletcher Building did not identify any physical climate-related opportunities in the FY24 assessment.

Physical risks and impacts

The assessment included analysis across all ~780 Fletcher Building sites, including

- Tier 1 sites, the 59 sites that make up 79% and 69% of the Group's Material Damage and Business Interruption values respectively;
- Tier 2 sites, being 11% and 16% of the Group's Material Damage and Business Interruption values respectively; and
- Tier 3 sites, being 10% and 15% of the Group's Material Damage and Business Interruption values respectively.

Hazards identified for the sites were those material to our operations, and aligned to hazards in the list that the Intergovernmental Panel on Climate Change (IPCC) recommend assessing:

- Rainfall
- Temperature rises
- Sea level rises
- Extreme storm events
- Other events, such as bush fires

The FY24 review confirmed that the Group's overall exposure to climate-related hazards is moderate with flooding being the key exposure.

Hazards include coastal, river and rain-induced (pluvial) flooding.

The level of exposure to flood risk does not materially change over the three time horizons under any of the climate scenarios.

The FY24 assessment also confirmed that the proportion of assets exposed to flooding risk has not materially changed compared to the previous analysis completed in 2022.

The number of sites and site values that are exposed, show limited change over time under each of the three scenarios and timeframes. When we look at those sites that are highly exposed to flood risk, there is

an increase in rainfall intensity and flood frequency and/or severity. However, for the majority of sites, this does not result in a corresponding increase in the impact of floods under most scenarios and timeframes.

Due to more granular flood data becoming available in FY24, we have assessed both the exposure of our New Zealand assets to flood risk and the potential impact on our New Zealand assets of physical damage due to flooding. For New Zealand, this is relatively moderate. As an example, the material damage cost of a 1 in 200-year pluvial flood event if experienced simultaneously at all New Zealand sites is calculated to be c. $54 million[2].

We will undertake the same detailed impact analysis for our assets in Australia when the methodology and more granular data becomes available. While the key exposure across the portfolio is from flooding, other impacts are relevant for our operations in certain regions.

Bushfire exposure is significant at a relatively small number of locations where we have operations, including the region where our Laminex Toolara site is located. In FY25 we will conduct a detailed analysis of the exposure and potential impact of bushfire at Toolara, taking into account existing mitigations. Laminex Toolara is ~11% of the insured asset value for the Group.

While cyclone exposure is generally considered to be significant for the Queensland region, exposure is modest for our assets, which are less exposed because they are mostly located in the south of the region. High or extreme cyclone exposure for our assets in Queensland is potentially up to 4.7% of insured values, which is less than 1% of the Group's insured asset values.

Transition risks

General approach to applying the scenarios

In assessing Transition risks and opportunities for Fletcher Building, we reviewed global and regional risk frameworks for our sector in FY22 and FY23 as part of publishing our voluntary Climate-related Disclosures. In FY23 we were part of the NZGBC Leadership Group and Technical Working Group that developed the property and construction scenarios and narratives described in the Scenario Analysis section.

Following completion of the sector scenarios, we engaged a consultancy with climate risk expertise to provide us with a comprehensive list of potential transition risks and opportunities, relevant to our operations.

We reviewed these risks and opportunities with subject matter experts within our business, and with our Executive team, to identify the most material risks, opportunities and impacts, and the time horizon when we expect these might occur. Risks and opportunities were identified as material if they would be expected to have an impact at Group level on financial or operational performance. These material risks and opportunities were then prioritised based on those expected to be more likely to occur, and to have a high impact if they did occur.

An assessment of our transition risks and opportunities will be repeated at least every three years. Key findings will be used to inform our business strategy, by including the response to material transition risks and opportunities into divisional or Group plans, as relevant.

Transition Risks, Opportunities and Impacts

The material transition risks and anticipated impacts for Fletcher Building are included in Appendix B of these Climate Statements. Material transition opportunities and anticipated impacts are included in Appendix C of these Climate Statements.

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[2] The figure of $54 million does not include trading losses or other costs associated with business interruption.

Our Transition Plan

Our current business model and strategy

Fletcher Building is a significant manufacturer, retailer, home builder and partner on major construction and infrastructure projects.

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

Fletcher Building operates in New Zealand, Australia and the South Pacific, and has approximately 780 operating sites. In FY24 we employed over 12,500 people across our operations.

We operate diversified businesses, from resource extraction, product manufacturing and distribution through to property development and infrastructure construction. We have a focus on innovation and growth, including investing in sustainable business and the next generation of building products and services for our local markets.

The long-term growth outlook for the regions where we operate is robust, with demand for high quality housing and infrastructure to support growing populations, the subject of enduring macro tailwinds.

Climate change may affect Fletcher Building through physical impacts in our regions of operation, and transition risks in the regulatory and market environments where we operate. These potential impacts are described in the Risk Management sections of these Climate Statements and in Appendices A, B, and C.

Reducing our operational emissions is one of the focus areas that supports our current business model and strategy, together with sustainable innovation and growth in our sectors.

Two of the goals that support our business model are:

- our '30 by 30' target for Greenhouse Gas emissions reduction, which is a Science-based Target to achieve 30% reduction in Scope 1 and Scope 2 GHG emissions by 2030, from a 2018 baseline; and
- our Revenue from Sustainably Certified Products target is to have >75% of product revenue from our manufacturing businesses from products that hold a third-party sustainability certification that is based on whole-of-life analysis.

Transition Plan

Our business model, strategy and Transition Plan will evolve as we continue to assess our climate related risks and opportunities, and for this disclosure we are exercising Adoption Provision 3 in relation to transition planning.

The components that our Transition Plan will focus on are reducing our emissions, providing further lower carbon products and services to the market, and managing our resilience and adaption to climate risks.

Aspects of our Transition Plan that are already underway within the business are outlined below.

Emissions reduction

Scope 1 and 2 GHG emissions

The key business tool we use for emissions reduction is our Carbon Reduction Roadmap. This maps technically feasible carbon reduction options for Scope 1 and Scope 2 GHG emissions for each of our divisions through to 2030.

The roadmap is reviewed and revised by each division as part of annual budget reviews and as part of the

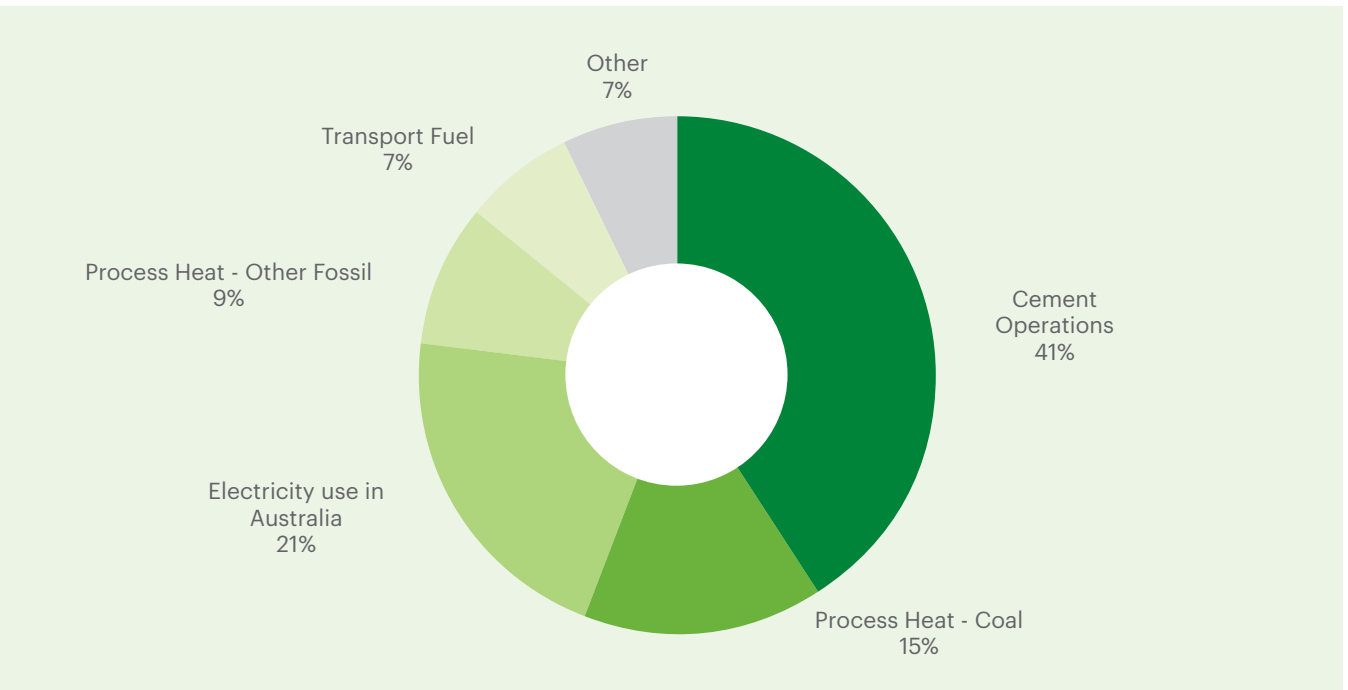
annual 5-year plan reviews. Performance against the roadmap is reported to the SHES Committee at least twice per year and is included in the incentives for the Chief Executive of the Concrete division, which is the division with the highest contribution to emissions.

The highest sources of Scope 1 and 2 GHG emissions for our business, collectively contributing over 90%, are:

- The coal used for process heat in our cement operations at Golden Bay plant in Portland;
- The carbon dioxide produced from the cement manufacturing process itself;
- Electricity used in the manufacture of products in our Australian businesses;
- Process heat from our manufacturing operations in New Zealand; and
- Fuel used for transport in New Zealand.

Scope 1 and Scope 2 GHG emissions for our ongoing operations were 969 thousand metric tonnes of CO_2e (kt CO_2e) in FY24.

Scope 1 and 2 GHG emission sources



Coal use and cement operations

To date we have successfully implemented initiatives to reduce the use of coal in our cement operations, with substitution of biomass and waste end-of-life tyres able to achieve circa 60% substitution for coal. As part of developing our Transition Plan we will continue to investigate options to reduce coal usage further.

In our cement operations, we have looked at options to reduce the direct emissions from the cement manufacturing process, and already use a proportion of alternative cementitious materials in our product.

A key part of our Transition Plan is our work with Concrete New Zealand and our support of the concrete industry roadmap to achieve net zero carbon emissions by 2050. The roadmap charts a clear path to substantial carbon reduction across the industry and it is our collective goal to reduce emissions by 44 per cent from 2020 levels, by 2030.

Electricity in our Australian businesses

Our Transition Plan for these emissions is a combination of rooftop solar energy and renewable energy purchase, in addition to reductions that are achieved by ongoing decarbonization of the Australian electricity grid.

We are underway with the first phase of rooftop solar installations for three of our largest sites in Australia. We have also purchased renewable energy for the 2027 to 2030 period for our operations in Victoria, and have identified other options for renewable energy purchases.

If we are able to execute our energy Transition Plan for Australia this has the potential to reduce emissions from this source by up to 60% by 2030 in comparison with our 2018 baseline year, with a 20% reduction already achieved.

Process heat

To date we have reduced process heat emissions, from natural gas, in our New Zealand steel coating and wallboards operations through upgrading to more efficient plant or processes.

To reduce process heat emissions further will require cost effective alternatives to natural gas, including biomass and other sources. As part of developing our Transition Plan in this area, we will focus on researching alternative lower carbon options identifying options for our largest users of process heat in New Zealand. A key limitation is the lack of viable solutions to replace natural gas as a high temperature process heat source.

Transport fuel – our fleet

The main contribution is from our Construction transport fleet. We are transitioning light vehicles to hybrid options as leases turn over, while we actively track fit-for-purpose options for electric vehicles.

For our heavy fleet and equipment, we are actively looking for cost effective options for lower emission heavy fleet and have partnered with transport suppliers who are looking for hydrogen and heavy EV options.

The development and implementation of our Transition Plan for transport fuel is dependent on the availability of electric or other non-ICE options entering the New Zealand market that are appropriate for our business.

Scope 3 GHG emissions

The highest sources of Scope 3[3] GHG emissions for our business, collectively contributing circa 85% of Scope 3 GHG emissions, are:

- Purchased steel and purchased cement;
- Construction operations and materials; and
- Road transport

There are a number of smaller sources that make up our Scope 3 GHG emissions, including transmission and distribution losses from the electricity and natural gas grids, which are circa 3% of Scope 3 GHG emissions, business travel and employee commuting, which is circa 2% of Scope 3 GHG emissions, and

[3] We assess Scope 3 GHG emissions for all upstream value chain categories and all downstream categories other than processing, use and end-of-life treatment of sold products, and downstream leased assets. Details of the Scope 3 categories assessed, and the assurance of Scope 3 GHG emissions, are provided in the Assurance Statements for FY18 to FY24 that are available in the 'Sustainability reports, publications and policies' section of our Sustainability web page (fletcherbuilding.com/sustainability).

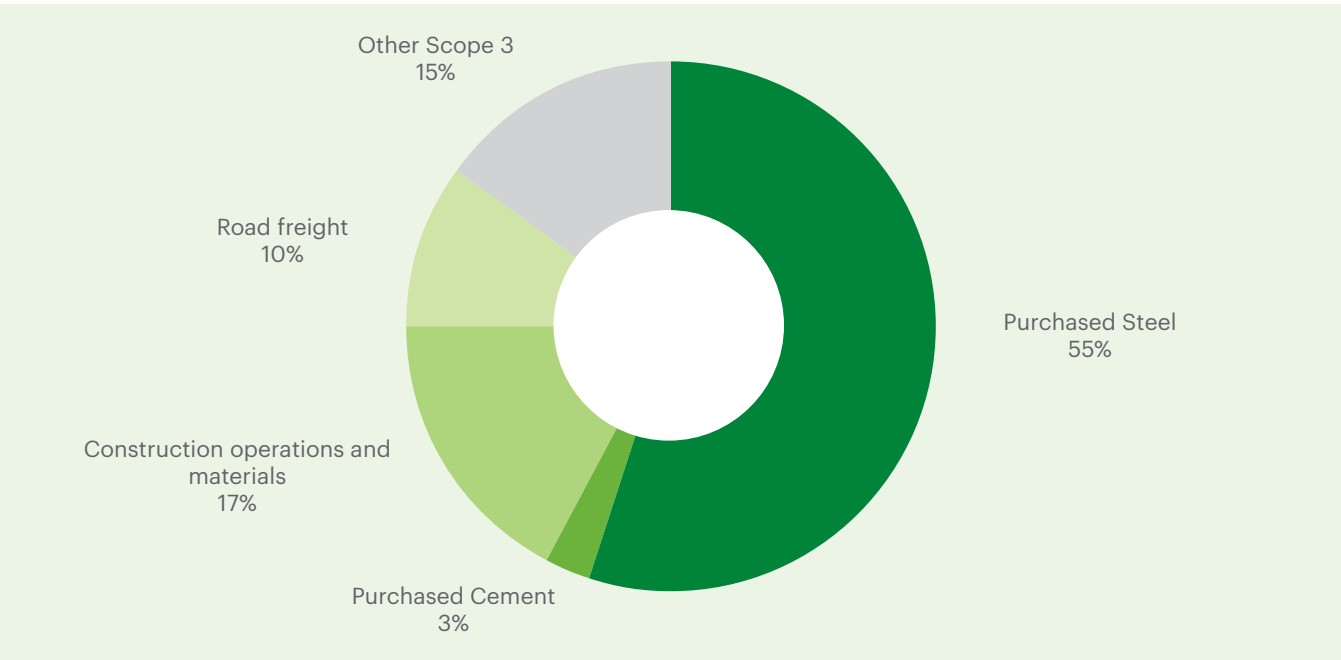
other sources individually contributing less than 2% each of overall Scope 3 GHG emissions.

Our Transition Plan currently focuses on addressing the most significant components of our Scope 3 GHG emissions.

Notwithstanding the above comment, our business units and divisions focus on efficiency and management of operating costs, and this is expected to flow on to Scope 3 GHG emissions reductions in many areas, including transport.

Scope 3 GHG emissions were assessed as 1,326 kt CO_2e in FY24.

Scope 3 GHG emission sources



Purchased steel and cement

Together these two materials contribute circa 60% of our Scope 3 GHG emissions, and are the area we are most focused on to reduce our Scope 3 GHG emissions.

Our main action is to continue discussions with key suppliers on their alignment with global steel and cement sector decarbonisation pathways. Our two most significant steel and cement suppliers are already aligned to the Science-based Target sector decarbonization pathways, and a key part of our Transition Planis to look at increasing the proportion of suppliers we use who have these reduction goals.

Construction operations and materials

Initially, our Transition Plan for construction materials other than steel and cement requires a greater understanding of materials with high embodied carbon and the supply chain for these materials. Our key action to reduce this category of Scope 3 GHG emissions is to understand the high carbon components in this category.

Road Transport – supply chain

We are engaging with our current suppliers to understand their decarbonization strategies, and the impact of these strategies over the next ten years and through to 2050. Decarbonizing the supply chain for heavy freight would have the most significant impact in this emissions category.

Low carbon products and services

Providing lower carbon products and services is a core part of our business strategy, supported by the goal of at least 75% of product revenue from our manufacturing divisions from products that have had a life-cycle analysis assessment.

To date, we have also completed construction of the LowCO™, house and three terraces in FY24. These are residential dwellings designed to have lifetime emissions consistent with a 1.5-degree future. The LowCO™ designs are an exemplar of sustainable residential construction. To support our and others transition to a lower- emitting built environment, we have made the designs freely available for anyone to use.

Our Transition Plan is to continue to offer lower carbon products to market, and to move into offering lower carbon services within our operations.

Adaptation and resilience

The physical risk assessments carried out in FY20, FY22 and FY24 are the foundation for our approach to adaption and resilience. As part of the development and implementation of our Transition Plan we will continue the assessment of physical risk exposure and impact, and identify potential mitigation options.

The key next actions for this aspect of our Transition Plan are to:

- complete the granular assessment of potential impacts of physical risks on our Australian operations and, where material, our joint venture entities;
- continue to review and identify potential mitigations for assets with potential high impact; and
- begin assessment of key supply chain and transport impacts.

Integration of our Transition Plan into capital deployment and decision-making

Our Transition Plan has been increasingly integrated into our internal capital deployment and funding decision-making processes. Central to this alignment is our annual five-year deep dive process, where business units that have the most impact on the Group's Transition Plan, and based on our analysis are most exposed to climate-related risks and opportunities, are required to highlight and present initiatives, including capital investments, to meet the Group's sustainability goals and targets, and also identify those opportunities and risks where performance and investment requires particular focus.

Supporting this, in May 2024, the ARC approved a Carbon Pricing Framework which introduces an 'internal cost of carbon' metric for capital investment decisions. This framework aims to effectively evaluate and prioritise investments that materially impact the carbon footprint of the Group and its operations against other investments. While not yet fully embedded, this framework is expected to provide improved guidance and a more rigorous basis for the allocation of capital to be deployed in key areas identified in the Group’s Transition Plan.

Where it makes the most sense to do so, we continue to allocate capital to projects that we believe will enhance our resilience to risks that impact our businesses, including physical climate risks, such as potential modifications to facilities or supply chain adjustments.

On an ongoing basis, resources in our innovation team and in our various business units are directed towards identifying, developing and bringing to market lower carbon products and solutions. This aligns with our Transition Plan's focus on seeking to provide more sustainable options to our customers.

As noted in the Risk sections of these Climate Statements we are integrating physical and other climate-related risks within our risk framework for the business.

By integrating these elements into our operational processes, we bring a more balanced view to improving the operational excellence of our business units, which is becoming increasingly aligned with our climate transition goals. As we continue to refine our Transition Plan, we anticipate further enhancements to our capital deployment strategies and the resources required to support and execute these. These strategies are expected to evolve with our understanding and identification of climate-related risks and opportunities.

Barriers to implementing the Transition Plan

Several barriers to implementing the Transition Plan are included in other sections of these Climate Statements, principally within the Transition Risks section. Three potentially significant barriers to implementation of the Group's Transition Plan are:

- Regulatory uncertainty, particularly in relation to the ETS and its treatment of industrial emitters, may pose a significant barrier to implementing the Transition Plan should it make operational costs or capital to decarbonize uneconomic in the local market.
- The potential impact of high energy costs, or availability of lower carbon intensive energy sources.
- The Group's ability, including the ability of our supply chain, to implement the transition for goods and services where proven technical solutions do not yet exist.

Metrics and Targets

Greenhouse gas emissions

Fletcher Building has a near-term Science-based Target for Greenhouse Gas (GHG) emissions, verified by the Science-based Targets Institute (SBTi) in December 2019.

The target for Scope 1 and Scope 2 GHG emissions is aligned to a 'well-below two degrees' future, but is not aligned to a 1.5 degree future. The target is a 30% absolute reduction in combined Scope 1 and 2 GHG emissions by 2030 from a FY18 base year. The target does not rely on offsets.

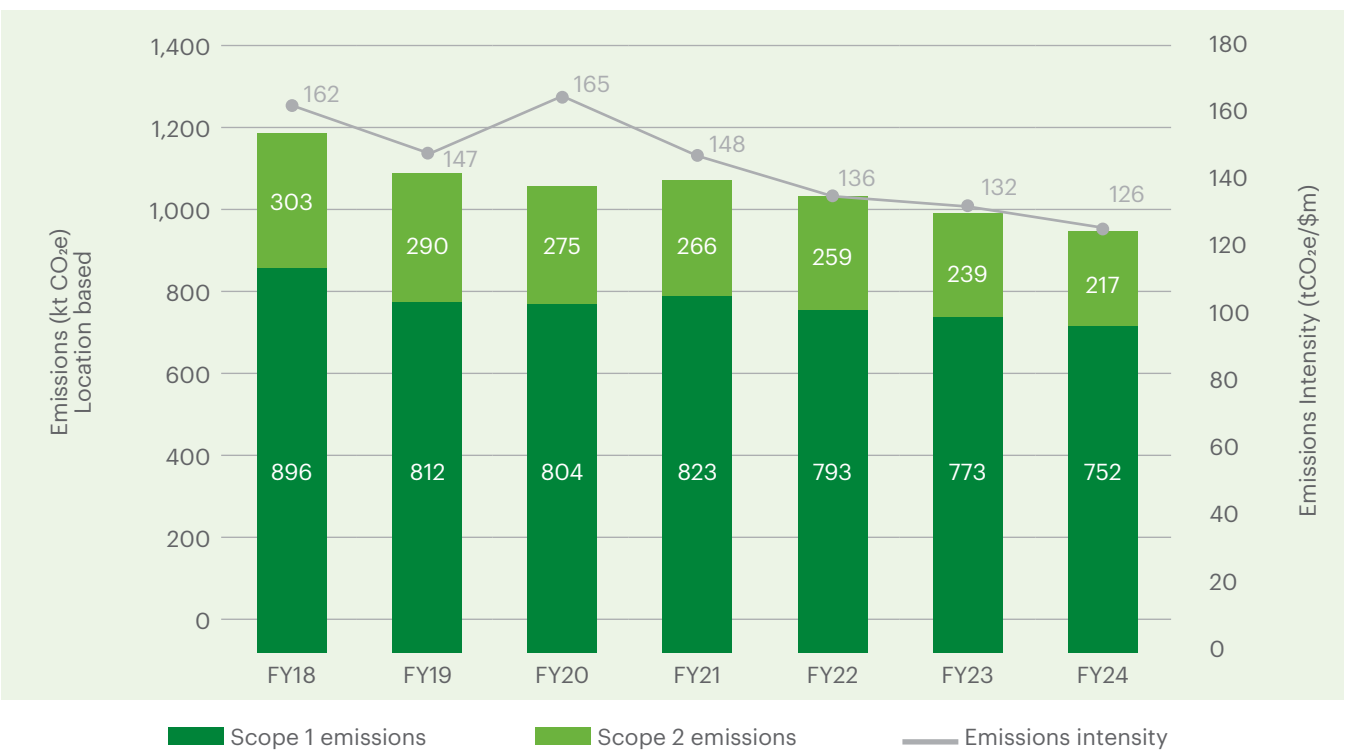
In addition to this near-term Scope 1 and Scope 2 target, Fletcher Building's long-term target is Net Zero by 2050 for Scope 1 and Scope 2 GHG emissions. This is consistent with New Zealand and Australian regulatory goals that are aligned to a 1.5 degree future, and therefore we consider our Net Zero target to be aligned to a 1.5 degree future. The Net Zero target is an internal target but is aligned to the Science-based Targets approach. This target is likely to rely on offsetting for residual emissions, which would be for no more than 10% of emissions.

Fletcher Building has made progress toward our 2030 and 2050 targets. Comparative Scope 1 and Scope 2 GHG emissions are provided in the chart below. Combined Scope 1 and 2 GHG emissions for FY24 were 19% lower than for the baseline year of FY18.

Appendix D provides the methodology used to calculate emissions, and details of the assurance for Scope 1 and 2 GHG emissions, which is to a 'reasonable' assurance standard.

As well as tracking progress against our absolute emissions reduction target, we track our emissions intensity, using the basis of tonnes of Scope 1 and Scope 2 GHG emissions per million dollars of revenue. Fletcher Building is a diversified business, operating across multiple sectors, therefore emissions intensity is the industry based metric we use for comparison with other entities. Emissions intensity decreased 22% from 162 t CO_2e/$m in FY18 to 126 t CO_2e/$m in FY24.

GHG emissions



Fletcher Building's Scope 3 science-based target is for 67% of suppliers, based on emissions, to have set their own science-based target by the end of 2024. Currently, the percentage of Scope 3 GHG emissions from suppliers with a Science-based Target or an aligned pathway is circa 35%, and we are therefore unlikely to achieve this component of our Science-based Target.

Scope 3 GHG emissions were assessed as 1,326 kt CO_2e in FY24[4]. FY23 Scope 3 GHG emissions were assessed as 1,450 kt CO_2e, an increase from FY22 Scope 3 GHG emissions of 730 kt CO_2e[5]. This increase reflects improved information about the embodied emissions in the goods we procure from the most significant sources of Scope 3 GHG emissions in our supply chain, gained by engaging directly with these suppliers. The decrease in Scope 3 GHG emissions from FY23 to FY24 is at least partially due to reduced market activity.

Appendix D provides the methodology used to calculate emissions, and details of the assurance for Scope 3 GHG emissions, which is to a 'limited' assurance standard. The assurance statements for GHG emissions are available at: https://fletcherbuilding.com/assets/1-about-us/documents/Fletcher-Building-Assurance-Statement-FY24-Emissions-Inventory.pdf

Physical risks

The metric we currently apply for physical risk exposure is potential impact as a value or percentage of asset value. For example, as noted previously we calculate a potential material damage cost of $54 million for 1 in 200-year pluvial flood event if experienced simultaneously at all New Zealand sites, and we will undertake the same assessment for our assets in Australia when the methodology and more granular data becomes available.

More detail on physical risk exposure and impact is included in Appendix A.

Other metrics and KPIs

The metrics and targets mentioned above, related to GHG emissions and asset risk, are the set of key performance indicators used by Fletcher Building to measure and manage climate-related risks and opportunities.

Capital deployment

In FY24, Fletcher Building invested $179 million toward capital projects aimed at carbon reduction, energy efficiency, and the provision of lower carbon building products, responding to climate-related risks and opportunities. This amount reflects the total capital invested in each project during the year, and therefore the figure does not separate out the capital specifically addressing climate related risks and opportunities. Key investments include:

- Laminex® New Zealand's Taupō plant expansion ($98 million): Set to begin production in late 2026, expanding our provision of wood-based products into the New Zealand market.
- The completion of Winstone Wallboards® new GIB® plant ($38 million): Expected to deliver a 13% reduction in CO_2e emissions per square metre of board produced compared to the old Auckland plant, featuring onsite recycling and innovative waste plasterboard recycling technology.
- The completion of LowCO™: Our sustainable homes of the future project, demonstrating how to reduce lifetime carbon emissions in residential construction consistent with a 1.5 degree future.
- Our other ongoing process and plant upgrades: With a focus on energy and material efficiency, including enabling the use of lower carbon biomass and waste end-of-life tyres as sources of process heat for our cement operations, and reduce the use of coal.

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[4] Scope 3 GHG emissions reported here are all upstream value chain categories and all downstream categories other than processing, use and end-of-life treatment of sold products, and downstream leased assets. Details of the Scope 3 categories assessed, and the assurance of Scope 3 GHG emissions, are provided in the Assurance Statements for FY18 to FY24 that are available in the 'Sustainability reports, publications and policies' section of our Sustainability web page (fletcherbuilding.com/sustainability).

[5] FY22 and FY23 Scope 3 GHG emissions figures include Tradelink, which is estimated to contribute ~2% of each year's total.

Internal emissions price

Fletcher Building's Internal Cost of Carbon Framework (the cost of carbon framework) was approved by the ARC in May 2024 to guide the Group's capital investment decisions in a manner that aligns with its environmental goals and meets regulatory expectations, both present and future. By incorporating carbon pricing into the decision-making process, the aim is to support the effective evaluation and prioritisation of investments that also materially impact the carbon footprint of the Group and any of its business units.

Methodology for Carbon Pricing: Our shadow price for carbon is determined using multiple external reference points:

- **NZ ETS market price:** current & forward prices
- **NZ ETS Market Floor:** current & future published prices
- **NZ ETS Cost Containment Reserve:** current & future published reserves
- **NZ Carbon offset price:** current & forward prices
- **Renewable electricity price (AU):** current & forward prices

Different weightings are assigned to these reference points based on relevance, currency, and availability. The market price has the highest weighting due to its currency. The market floor provides a minimum value. Carbon offset credits, limited to 10% of the Group's carbon reduction, are weighted accordingly, with the cost containment reserve weighted based on relevance.

The approved internal carbon pricing mechanism is evolutionary, and assumes the Group's 'carbon prices' will change with time. As countries, and indeed the Group, gets closer to their carbon reduction deadlines, urgency becomes a factor. Therefore, updates to the Group's internal 'carbon prices' will need to be considered regularly (at least annually), to remain current.

The Group's carbon pricing also considers the cost of implementing initiatives in different jurisdictions and initiatives with different time horizons, where a blend of current and forward/future pricing is used to inform an appropriate carbon price for projects in different countries and with different horizons. The following carbon prices were approved for internal use:

Internal Cost of Carbon- $ per tonne CO_2e	Projects < 5 years	Projects > 5 years
New Zealand (NZD)	$80	$100
Australia (AUD)	$60	$50

Remuneration

ESG (Environmental, Social & Governance) goals are incorporated into the STI scorecards of our senior leaders to drive focus and outcomes beyond the financial year. Where appropriate, and aligned to Fletcher Building's sustainability strategy, this includes goals that work towards our target of a 30% reduction in carbon emissions by FY30 and achieving net zero by FY50.

At an Executive level for FY24, this has been incorporated into the individual goals with a 5% contribution to STI for the Chief Executive of our Concrete division. This division is the focus because it is the largest contributor to Fletcher Building's Scope 1 GHG emissions and contributes circa 55% of the Group's combined Scope 1 and Scope 2 GHG emissions.

In addition to the inclusion of STI for the Chief Executive of the Concrete division, all divisional Chief Executives are required to provide a long-term carbon reduction plan that supports Fletcher Building's 30% reduction by 2030 target, and which identifies and costs specific GHG reduction initiatives.

Transition risks and climate-related opportunities

We estimate that 80% of our business activities, as a proportion of FY24 gross revenue, are vulnerable to Transition Risks. These were assessed on the basis of those divisions that are exposed to at least one of the material transition risks identified in Appendix B.

We estimate that 100% of our business activities are able to take advantage of climate-related transition opportunities, on the basis of those divisions that can align with at least one of the transition opportunities identified in Appendix C.

Appendices

Appendix A: Detailed physical risk findings

The key findings from the extended analysis, are summarised below. All values are expressed as FY24 values for material damage.

- The climate is projected to change for New Zealand and Australia in the next 100 years. Both countries are expected to experience an increase in temperatures and communities on the coast are expected to be faced with increased sea levels. Additionally, analysis indicates that there will be variation in the frequency and intensity of rain events that will affect river flooding, storm and cyclones and changes to susceptibility to bush fire for Australia which currently has a higher risk level than New Zealand. This increased hazard level will change the exposure of each site, potentially damaging assets which is reflected in the site risk.
- The assessment included analysis across all ~780 Fletcher Building sites. The key exposure identified to FBL assets across the portfolio is of flooding. This is primarily pluvial flood risk (rainfall driven), but there is also exposure for fluvial (river) flooding and coastal flooding. Direct sea level rise exposure has been assessed as limited but it does impact coastal flooding exposure. Bushfire exposure is significant at a relatively small number of locations (notably Toolara) and cyclone exposure is significant for assets in Queensland. FBL's exposure to all of these is increasing and the severity of this exposure increases over time with general modest shifts in exposure in the short to medium term but more significant changes over the longer term and more pessimistic projections of climate change action.
- Flood exposure (current day) is expected to be relatively modest with only a minority of sites even potentially exposed to high or very high flood exposure levels in New Zealand (45 sites with a combined value of $274 million) and Australia (24 sites with a combined value of $773 million).
- Increases in risk due to climate change have been assessed to be modest. Across the whole portfolio for NZ sites there are only 12 sites which indicate an increase in risk grading from current day when climate change is considered. This increase only occurs for RCP 8.5 (SSP3). There are 23 sites, which based on current day flood exposure have no flood risk, but which are indicated as having a flood exposure (generally very low but some low) in the future. This only occurs for the RCP 8.5 (SSP3) scenario and this increase in flood risk emerges by 2060 for this scenario.
- Financial risk analysis was undertaken across the New Zealand portfolio this indicates a potential material damage loss of approximately $53 million for pluvial impacts and $47 million for fluvial impacts for a 1 in a 100 year event (this increases to approximately $54 million/$48 million respectively for a 1 in 200 year event). While events of this magnitude do not commonly occur within a short time frame across the whole country, this assessment provides a benchmark of value at risk of flood. The increase in the value of flood related loss for climate change projections is relatively modest with increases by 2100 of around 5% for SSP1/SSP2 and around 10% for SSP3.
- Further analysis including the annualised loss across all flood events (range of return periods) for NZ assets has been carried out. This indicates an annualised loss of approximately $11 million/year for flood. This value reduces if the analysis excludes a small number of specifically vulnerable sites. The annualised loss with climate change impacts increases by approximately 5% for SSP1/SSP2 and 12% for SSP3 by 2100.
- From the analysis three sites have been identified as the priority for more detailed assessments (which includes Toolara for bushfire hazard) and a number of sites with experienced or indicated flood exposure where the action is to review the analysis including supplementing site information during insurance surveys (where applicable) or by direct communication with the site/business unit.
- In summary the portfolio exposure for FBL to climate hazards is moderate. The key exposure is to flood with some more localised exposure to storm/cyclone and bushfire. The % of values at risk from flood is relatively modest (in terms of the overall value of Fletcher Building) in part because of the large number and geographical spread of sites. The change in the risk profile due to climate change is also relatively modest with a modest increase in risk with this being most significant for longer time horizons (2100) and more severe climate change (SSP3 scenario). It should also be noted the analysis does not include any allowance for adaptation, mitigation or change in the portfolio to reduce its risk exposure.

Appendix B: Summary of Transition Risks

Risk Description	Time horizon S: <5 years M: 5-10 years L: 10+ years	Risk area
Policy and regulatory changes for EITE businesses, including re-baselining of industrial allocation, that make local cement manufacturing financially unsustainable. Key impacts: • The discretionary review of industrial allocation discourages private investment into decarbonisation due to the uncertainty it creates as a result of potential 5-yearly reviews. • Cost increases to domestic operators shifts production overseas to jurisdictions with lower, or no, carbon pricing. • Lack of local production makes New Zealand reliant on imported cement, which results in heightened supply chain risk for the construction sector, and less economic resilience. • Global emissions increase due to the higher intensity of overseas producers.	**S M** L **High priority**	Policy and Legal
Policy and regulatory changes including carbon pricing policies that make local manufacturing less cost competitive. Key impacts: • Importers are not captured by the NZ ETS, which puts local manufacturers within the ETS at risk of a loss of market share. This has a direct impact on potential viability of domestic cement production. • Reduced revenue generation ability of existing assets. • Competition in both quality (lower carbon, high quality imports) and cost (cheap, higher carbon overseas imports). • The ETS impacts energy prices broadly, which will impact costs across the business. • Carbon capture, uptake and storage options are currently prohibitively expensive, and in our view will remain so for the medium to long term.	**S M** L **High priority**	Policy and Legal
Inability to make use of alternative renewable energy sources, or Unstable supply and pricing of low carbon material feedstocks and fuels. Key impacts: • Downstream reputational and financial impacts. • Failing to switch from energy sources that are subject to future pricing policies may increase costs for Fletcher Building and end users. • Risk of locking in fossil fuel combustion technology for manufacturing if comparable cost solutions are not available soon. Inability to lock in long term supplies of material feedstocks and fuels may impact ability to transition certain processing activities, leading to a risk of failing to meet emissions reduction milestones. • Long term forecast may suffer from global pricing volatility. • Risk of not meeting climate-related targets.	S **M L** **High priority**	Technology

Risk Description	Time horizon S: <5 years M: 5-10 years L: 10+ years	Risk area
Increased planning requirements and more stringent building codes and land use guidelines as a result of extreme weather events. Key impacts: • Potential risk of stranded assets in development portfolio. • Resilience requirements may increase for Fletcher Building's existing manufacturing facilities.	S **M** **L**	Policy and Legal
Customers may delay their long-term sustainability commitments due to short-term cost pressures, which will impact on demand for sustainable products. Key impacts: • Clients may continue to make decisions based on cost, putting off delivering on their sustainability ambitions, which will impact on demand for sustainable products from our business. • Ability for clients to undertake long term strategic planning or target setting may suffer from government policy shifts.	S **M** **L**	Policy and Legal
New technology is overly expensive or incompatible with the Australia or New Zealand operating environment. Key impacts: • Slower progression towards achieving climate-related commitments and targets if new solutions for emissions abatement are not able to be adopted or developed. • Materials that are not cost competitive may not be attractive to clients. • Carbon capture, uptake and storage options are currently prohibitively expensive, and in our view will remain so for the medium to long term	S M **L**	Technology
Building code advances faster than technology solutions with tighter regulations around material specifications in design. Key impacts: • Certain building products becoming obsolete in light of worsening extreme weather events. • Risk of low-cost, low emission products reaching New Zealand market ahead of local products' ability to adapt.	S M **L**	Technology
Failure to meet consumer, client, employee and investor expectations on sustainable innovation. Key impacts: • Fletcher Building may lose market share if it does not invest sufficiently in sustainable innovation to meet potential future demand for sustainable products. • However, if investment in developing and bringing to market more sustainable products outpaces demand, there may be a cost impact. • Our recruitment pool may be restricted if purpose-driven future employees want to work elsewhere given a lack of sustainable action.	S **M** **L** **High priority**	Market
Early introduction of greener products / services by competitors. Key impacts: • Potential for building products to be displaced by overseas imports. • Loss of market share to lower carbon competitors' products, or margin erosion.	S **M** **L** **High priority**	Market

Risk Description	Time horizon S: <5 years M: 5-10 years L: 10+ years	Risk area
Public perception as a large carbon emitter. Key impacts: • Insurance companies and investors may avoid emissions intensive industries / assets, or those without a firm plan to build resilience. • Accessing capital may become more expensive if we do not progress our reduction roadmap. • External pressure for more aggressive targets. • Targets become more difficult to reach if emissions reduction investments or actions are delayed.	S **M** L	Reputation
Continuing to construct infrastructure that enables GHG emissions, like roads and airports, may be viewed as unfavourable by investors and the public. Key impacts: • Decline in reputation if viewed as continuing to construct grey, rather than green, infrastructure which may deter investment.	S **M** L	Reputation
Increased expense of manufacturing existing products and technology. Key impacts: • Margin erosion, e.g. through pricing in the cost of compliance with the NZ ETS or requiring external sourcing of alternative materials for cement manufacture. • The cost of alternative materials may be higher than the materials currently used.	S **M** **L**	Technology

Appendix C: Summary of Transition Opportunities

Opportunity Description	Time horizon S: <5 years M: 5-10 years L: 10+ years	Opportunity area
Energy efficiency improvements driven by the implementation of the '30 by 30' emissions reduction programme. Key impacts: • Over the short-term, cost reduction is the primary impact. • Over the medium-term, the key outcome is revenue protection.	**S** **M** L	Resource efficiency / energy source
Opportunities to use alternative, lower emission energy sources and reduce dependence on imported energy sources like coal and diesel. Key impacts: • Potential for cost reduction, if this can be achieved with energy pricing in the Australia and New Zealand markets. • Decarbonisation of energy sources will flow through to products and services, supporting Fletcher Building to meet emissions reduction targets. • Positive or improved investor relations, through investor ability to demonstrate their own transition plans. • Potential for net positive energy residential developments • Positive market positioning from 'greener' construction projects, e.g. non-fossil energy, if we are an early mover. • Increased resilience and more energy independence, with reduced risk of supply chain disruptions.	**S** **M** **L**	Resource efficiency / energy source
Integrate lean design and off-site manufacturing principles into projects for carbon and cost savings. Key impacts: • Reduced environmental impact over time through more use of modular systems. • Faster production and supply chain throughput, increasing construction turnaround time, and increased market share if products are cheaper to produce.	**S** M L	Resource efficiency / energy source
Innovation and development of building products and services with a smaller carbon footprint. Key impacts: • Leading the industry could help expand competitive advantage. • Reduction of costs by making raw materials go further. • Competitive advantage of cement innovation relative to other two competitors. • Market presence retained across New Zealand as the leading supplier.	**S** **M** **L**	Products / Services
Potential opportunities to support climate adaptation through New Zealand's national adaptation plan. Key impacts: • Develop products that can be made and installed throughout the year, are less prone to seasonal changes, and are durable under extreme weather events. • Positive public perception and social licence to operate could be improved by contributions to climate adaptation.	S **M** **L**	Policy and Legal

Opportunity Description	Time horizon S: <5 years M: 5-10 years L: 10+ years	Opportunity area
Identify ways to influence the mass market to support their own decarbonisation ambitions. Key impacts: • Impacts will be most effective to a targeted audience, through education of designers, specifiers, and group home builders on choices they can make to reduce the impact of their projects, leading to uptake of more sustainable products. • Ability to leverage our first-to-market range of EPDs, building a brand around existing, 'more sustainable' products. • Potential to position PlaceMakers as the 'storefront' for more sustainable products. • Potential to sell package solutions, rather than just individual products, meaning more sustainable choices become simple for customers to make.	S **M** **L**	Products / Services
Prioritise innovation to drive climate change solutions and resilience. Key impacts: • Primary benefit in the infrastructure space is changing systems, not products. Examples are off-site construction, and lower carbon design for bridges, foundations and other structural elements. • Potential to develop offerings aligned to climate adaption. • Ability to evaluate potential sector level impacts, such as through Clever Core's approach to streamlining consenting processes.	**S** **M** L	Markets
Identify and package service offerings spanning business units that meet promote resilience and broader societal benefits. Key impacts: • Increased revenue from selling total package services comprises products spanning multiple business units, for example selling a total residential / commercial system that meets potential future embodied emission requirements. • Better coordination across our people in advocacy roles to offer a more holistic solution to clients, moving from a focus on selling products to systems that resolve problems. • Improved reputation as an innovator working towards solving the housing crisis by, e.g., improving supply chain efficiency given the packaged services.	**S** **M** L	Resilience
Implement circular economy principles within the Fletcher Building business group. Key impacts: • Use of biomass in some product manufacturing, or sale of pelletised biomass, supporting non-fossil fuels. • Reduced space requirements for waste through designing out waste, increased reuse and recycling.	**S** **M** L	Resource efficiency / energy source
Increase our focus on maintenance and other lower carbon forms of construction. Key impacts: • Positive steps towards meeting emissions reduction targets for Fletcher Building and for clients.	**S** **M** L	Resource efficiency / energy source

Appendix D: Methodology used for greenhouse gas (GHG) emissions

Greenhouse Gas (GHG) emissions are calculated in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Corporate Value Chain (Scope 3) Accounting and Reporting Standard: Supplement to the GHG Protocol Corporate Accounting and Reporting Standard (together referred to as the GHG Protocol) and ISO 14064-1:2018 International Standard for GHG Emissions Inventories and Verification.

Scope 1 (ISO 14064 category 1, direct emissions), Scope 2 (ISO 14064 category 2, indirect emissions from imported energy) and Scope 3 GHG emissions (ISO 14064 categories 3-6, indirect emissions from the supply chain) have been externally assured by Toitū Envirocare in accordance with ISO 14064-1:2018. Scope 1 and 2 GHG emissions have Reasonable assurance, and Scope 3 GHG emissions have Limited assurance. Assurance statements for FY18 to FY24 are available in the 'Sustainability Reports' section of our website.

GHG emissions are calculated in accordance with the GHG Protocol location-based methodology. All Scope 1, 2 and 3 GHG emissions from our businesses are calculated on the equity share basis. This means that emissions from our businesses and from joint ventures we have an ownership interest in have been included. For joint ventures, the percentage of emissions included is based on our percentage ownership of the joint venture.

The activity data used to calculate the main Scope 1 GHG emission sources is summarised below:

- Process emissions from limestone, soda ash, dolomite and clinker - Measured data obtained from process weighing equipment, Enterprise Resource Planning system (ERP) system and stock surveys.
- Solid fuels (coal, waste end-of-life tyres) – Measured data obtained from process weighing equipment and stock surveys.
- Solid biomass fuels (air dry wood, oven dry wood, biosolids) – Measured data obtained from process weighing equipment, and for internal sources of solid biomass such as offcuts and sander dust, calculations from product counts, or average product weights.
- Liquid fuels (diesel, petrol, fuel oil, biofuel) – Invoices and bulk data reports from suppliers.
- Gaseous fuels (natural gas, LPG, acetylene) – Invoices and bulk data reports from suppliers.

Scope 2 activity data (purchased electricity) was obtained from invoices and bulk data reports from suppliers.

Scope 3 GHG emissions, those from our supply chain, were calculated in accordance with the GHG Protocol. Scope 3 GHG emissions were assessed for all upstream supply chain categories and all downstream categories other than processing, use and end-of-life treatment of sold products, and downstream leased assets. Our reported Scope 3 GHG emissions for FY24 include data sourced directly from our largest steel and cement suppliers. Supplier-specific data was used for c. 54% of reported Scope 3 GHG emissions.

The following GHG Protocol Supply Chain Categories are excluded from our reporting:

Use of sold products: The building products that we manufacture would be expected to be largely inert if disposed of at the end of life. We have not assessed these impacts as yet, but have a project to do so as part of a project associated with our LowCO™ residential building design.

Downstream leased assets: We do not lease any significant downstream assets.

Processing of sold products: The significant majority of our sold products are building supplies sold for direct use in building and construction, and not reprocessed for final use. Therefore, processing of sold

products is not expected to have significant emissions but has not been evaluated.

For the balance of emissions, we have used emission factors from goods and services published by the New Zealand[6] or Australian[7] Governments to convert the mass, volume or other units for goods and services into tonnes of CO_2 equivalents (t CO_2e). Both the New Zealand and Australian government emission factors use the 100-year time-horizon GWP (GWP100) values, as listed in table 8.A.1 of the Fifth Assessment Report (AR5) of the IPCC. Where data on quantities of supply chain goods and services was not available, we have estimated emissions using spend based factors, using the internationally recognised DEFRA factor set[8], corrected for exchange rates and inflation. The DEFRA factors use 100-year time-horizon GWP (GWP100) values, as listed in table 2.14 of the Fourth Assessment Report (AR4) of the IPCC.

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

Scope 1 and 2 GHG emissions are calculated for our continuing operations and exclude emissions from our Tradelink® business for FY24 and for all comparative years, including the FY18 baseline year. Tradelink® contributed c. 2% of total Group emissions in FY24.

Uncertainties for Scope 1 and 2 GHG emission factors are disclosed in the relevant MfE and DCCEEW publications referenced here. Uncertainties for Scope 1 and 2 activity data used in the GHG protocol have an assumed qualitative uncertainty of 5%.

Activity data for > 99% of our Scope 1 and 2 GHG emissions has a qualitative uncertainty of ≤ 2%, with the remaining < 1% having qualitative uncertainties ranging between 5-20%.

Activity data for 52% of our Scope 3 GHG emissions activity data has a qualitative uncertainty of ≤ 5%, with the remaining 48% having qualitative uncertainties ranging between 20-50%.

[6] Ministry for the Environment. 2023. Measuring emissions: A guide for organisations: 2023 detailed guide. Wellington: Ministry for the Environment (MfE).

[7] Australian National Greenhouse Accounts Factors Workbook 2023, Australian Government Department of Climate Change, Energy, the Environment and Water (DCCEEW).

[8] Conversion factors kg CO_2 per £ spent, by SIC code 2020 from: UK and England's carbon footprint to 2020 - GOV.UK (www.gov.uk)

Appendix E: Data sources used for the three scenarios

1. Increase in average global mean air temperature taken from: IPCC 2021. Summary for Policy Makers. In: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Data for Scenario One aligns with SSP1-1.9, data for Scenario Two aligns with SSP1-2.6, and data for Scenario Three aligns with SSP3-7.0.
2. Percentage increase in average number of hot days per year has been taken from the Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. Data for Scenarios One and Two align with RCP2.6 downscaling and Scenario Three aligns with RCP 8.5 downscaling. Note there is significant variability between regions for baseline (1986-2005) number of hot days per year, however, percentage changes are similar across different locations.
3. Increase in rainfall intensity data has been taken from the Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. Data for increase in rainfall intensity was calculated using projected increase in rainfall depth for a 12 hour, ARI 100yr ('1 in 100 year') rainfall event (as a proxy). Calculations for Scenarios One and Two are based on the projected degree of warming for RCP2.6 and Scenario Three is based on the projected degree of warming for RCP8.5.
4. Rainfall data for Australia provided by Australian Bureau of Meteorology.
5. Increase in extreme wind speeds data has been taken from the Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. An approximate estimate for increased in wind speed at different timeframes was taken from tables presented on page 106 of the MfE 2018 report referenced. The data for Scenarios One and Two was taken from RCP2.6 projections and Scenario Three was taken from RCP8.5 projections.
6. Emissions trajectory data has been sourced from NGFS emissions modelling available on the NGFS IIASA Scenario Explorer. The emissions trajectories for the scenarios presented in this report have been aligned with the NGFS global emissions trajectories as follows: Scenario One aligns with NGFS Net-Zero 2050, Scenario Two with NGFS Disorderly and Scenario Three with NGFS Hot-House World.
7. New Zealand population and age distribution projections taken from: Tatauranga Aotearoa / Stats NZ 2020. National population projections: 2020 (base) - 2073. Data for scenarios one and two taken as the 50th percentile for selected timeframes and data for Scenario Three was taken from the 'High Migration' projections as a proxy for increased climate-driven migration under this scenario.
8. Average sea level rise (NZ) data taken from: Te Tai Pari o Aotearoa / NZ Sea Rise 2022. Maps: For Public. Data for average NZ sea level rise was derived from a random data point with the vertical land movement correction removed (this derives the same number across all data points). The data for Scenarios One, Two and Three align with NZSeaRise projections for SSP1-1.9, SSP1-2.6 and SSP3-7.0 respectively. Timeframes for sea level rise data have been provided out to 2130, given that significant variation in average sea level rise between scenarios will not be realised until beyond 2100.
9. Sea level rise data for Australia provided by Australian Bureau of Meteorology.
10. Projected changes in carbon, fossil fuel use, and energy efficiency for buildings have been estimated under each scenario using MBIE's Building for Climate Change programme intentions as a benchmark.
11. Carbon price and oil price projections taken from: He Pou a Rangi / Climate Change Commission 2021. Scenarios dataset for the Commission's 2021 Draft Advice for Consultation (output from ENZ model). Carbon price and oil price data for Scenario One is aligned with the Climate Change Commission's 'Tailwinds' scenario. Scenario Two utilises a combination of the 'Headwinds' and 'Tailwinds' scenarios and Scenario Three aligns with 'Current Policy Reference Case'.
12. Electricity grid emissions have been assigned a sensible estimate for each scenario at different timeframes based on the Climate Change Commission's Electricity Market Modelling Datasets 2021.
13. Relative change in labour productivity due to heat stress in NZ has been determined using the NGFS Climate Impact Explorer. The projections use average annual temperatures and are displayed with spatial aggregation method using a population-weighted average. The data for Scenarios One, Two and Three align with NGFS Net-Zero 2050, Delayed Transition, and Current Policies scenarios respectively.

14. Global GDP data is taken from NGFS projections in the NGFS IIASA Scenario Explorer. The data for Scenario One aligns with NGFS Net-Zero 2050 and assumes a medium chronic physical risk damage estimate. Scenario Two aligns with NGFS Disorderly and assumes a medium chronic physical risk damage estimate. The data for Scenario Three aligns with NGFS Current Policies and assumes a high chronic physical risk damage estimate. See Appendix G for limitations.
15. Net carbon emissions forestry data has been sourced from modelling completed by the Climate Change Commission. Scenario One aligns with the 'Tailwinds' scenario, Scenario Two with 'Headwinds' and Scenario Three aligns with 'Current Policy Reference Case'.
16. Climate Scenarios for the Construction and Property Sector, New Zealand Green Building Council (NZGBC)
17. Combined Hazard Information Platform (CHIP) catastrophe risk-profiling tool developed by Aon. Draws on seismological, meteorological, hydrological and other data from a range of curated sources. Data linked to locations to allow detailed site exposure assessment for a range of hazards.
18. Smith M.H. (2013). Assessing climate change risks and opportunities for investors: Property and Construction Sector, Investor Group on Climate Change (IGCC) and Australian National University Report,
19. The Intergovernmental Panel on Climate Change Fifth Assessment Report (IPCC AR5) available at https://www.ipcc.ch/report/ar5/wg2/
20. Ministry for the Environment 2018. Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. Wellington: Ministry for the Environment.
21. Ministry for the Environment 2023. Our Atmosphere and Climate 2023
22. Intergovernmental Panel on Climate Change (IPCC). Climate Change 2013: The Physical Science Basis.
23. State of the Climate 2022, CSIRO and Bureau of Meteorology, Australia.

Cautionary statement

The metrics, particularly targets, projections, forecasts and other forward-looking metrics used in this report should be treated with caution, in particular given the uncertainty around the evolution and impact of climate change and around broader factors, such as impacts and dependencies on nature.

These metrics include but are not limited to estimates of historical emissions and of historical climate change and forward-looking climate and nature-related metrics and estimated climate and nature-related projections and forecasts.

Any forward-looking statements included in these statements are current only as at the date of this reporting period (30 June 2024), and should be treated with special caution. Readers are cautioned not to place reliance on forward-looking statements in these statements.

Current, historic and future information in these statements relates to the continuing operations of Fletcher Building, and does not include our Tradelink operations.

Although the forward-looking statements prepared or adopted by Fletcher Building and included in these statements are based on management's current expectations, they are not certain and involve judgements, attitudes, known and unknown risks, uncertainties and assumptions, many of which are beyond Fletcher Building's control, which may be affected by variables which may cause actual results, performance, conditions, circumstances, outcomes or the ability to meet commitments and targets contained in Fletcher Building's forward-looking statements to differ materially from those expressed or implied in such statements. Fletcher Building reserves the right to change its views in the future.

These statements should not be relied upon as a recommendation, forecast or guarantee by or expectation of Fletcher Building, its related or controlled entities or officers, directors, employees or agents. The forward-looking statements in these statements should be read in the context of the variables, risks, uncertainties and other factors outlined in this notice or mentioned elsewhere in these statements.

The climate-related scenarios used in scenario analysis are not intended to be probabilistic or predictive. Scenario analysis is a process for exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps Fletcher Building identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy. These statements, including the Appendices, set out the methods and assumptions underlying the climate-related scenarios used, and the scenario analysis employed. Readers are cautioned in their use of such information in these statements and reminded that it is important to understand the limitations applicable to the information presented.

Words or phrases such as 'will', 'should', 'expect', 'intend', 'plan', 'anticipate', 'effort', 'estimate', 'continue', 'could', 'expect', 'forecast', 'goal', 'guidance', 'intend', 'may', 'objective', 'outlook', 'potential', 'predict', 'projection', 'seek', 'target' or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements or other similar words, and include statements regarding Fletcher Building's intent, belief or current expectations with respect to Fletcher Building's business and operations, market conditions, results of operations and financial condition, capital adequacy and risk management. By their nature, forward-looking statements involve significant risk and uncertainty. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements or any liability whatsoever (including for negligence) for any loss howsoever arising from any use of these statements or reliance on anything contained in it or omitted from it or otherwise arising in connection with these statements is disclaimed.

Fletcher Building does not make any representation or warranty (express or implied) as to the accuracy, completeness, reliability, adequacy or reasonableness of any forward-looking statements prepared by

entities or persons other than Fletcher Building or matters (express or implied) contained in, or derived from, any omissions from any such statements.

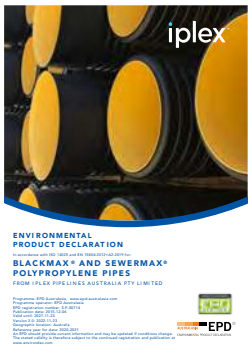
There is a risk that the judgements, estimates or assumptions and other forward-looking statements made in these statements may subsequently prove to be incorrect. Except as required by applicable law, Fletcher Building is under no obligation, and does not undertake, to update any of the forward-looking statements contained within these statements to reflect changes to relevant risks, inputs, uncertainties, or other factors, and/or Fletcher Building's understanding of them. Forward-looking statements may be affected by a number of uncertainties and factors, including but without limitation:

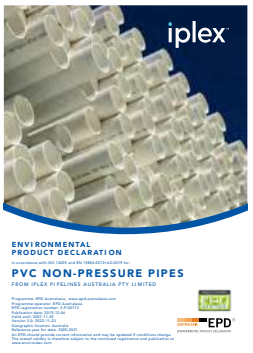
- a lack of common definitions and standards for climate-related data;
- the availability and quality of historical emissions data;
- a lack of transparency and comparability of climate-related forward-looking methodologies;
- variation in climate-related approaches, methodologies and outcomes;
- limitations of climate scenario analysis and the models that analyse them;
- calculations of forward-looking metrics are complex and require many methodological choices and assumptions, including the assistance of one or more external data and methodology providers;
- uncertainty and changes to climate-related policy, laws and regulations;
- climate change disclosures are prone to inherent uncertainty and these statements reflects new legal requirements;
- climate change reporting is subject to ongoing changes as the circumstances and impact of a transition to a low-emissions economy and climate change develop in New Zealand and across the world over a long period of time;
- climate-data, modelling and methodology is rapidly evolving, which may directly or indirectly affect the metrics and data points used in the preparation of, and the targets contained in, these statements; and
- changes arising out of market practices and standards, including emerging and developing ESG standards.

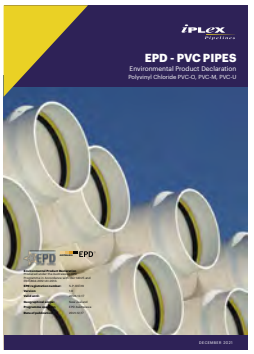
Climate-related disclosures made in these statements are subject to risk factors associated with, amongst other things, decarbonisation technologies, government action, consumer attitudes and potentially carbon products and markets. Readers are also reminded that Fletcher Building's business and plans are subject to risks that may cause actual results to differ materially from forward-looking statements.

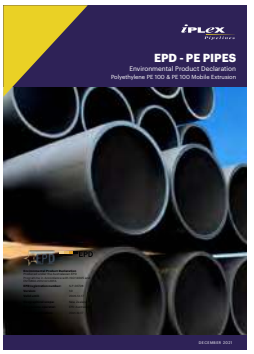
Other notices

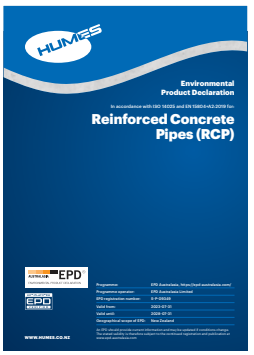
The material in these statements is general background information about Fletcher Building and its activities as at the date of the statement, given in summary form. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consider these factors and consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

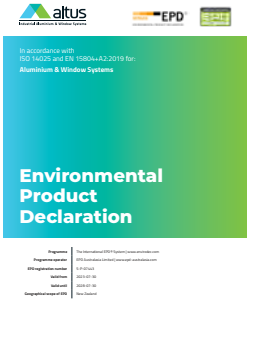












Embodied carbon information can be found in our Environmental Product Declarations which are all available on the EPD Australasia website

Fletcher Building