

An aerial photograph of a river flowing through a lush, green forested valley. In the middle ground, a dam structure is visible, consisting of a concrete wall with two black cylindrical towers and a metal walkway leading to a gate. The water is dark and reflects the surrounding greenery. The sky is overcast and grey. In the top right corner, there are decorative curved lines in yellow, orange, and blue. The Fletcher Building logo is in the bottom right corner.

# Fletcher Building Climate-related Disclosure

# Overview

Fletcher Building recognises that climate change is an urgent global priority, and we are committed to playing our part in reducing our impact on climate and managing the climate-related risks to our organisation.

It is our responsibility as a large New Zealand and Australian business to make the transition to a low emissions economy. In making this transition, we strongly believe that there are opportunities to innovate, to design better solutions for the built environment, and to support communities to adapt to climate change.

This report is our first public disclosure aligned to the Task Force on Climate-Related Financial Disclosures (TCFD) framework, but it is not the start of our action on climate change. Our actions over the past five years to adapt to climate change and to reduce our own emissions are shown below:

## Adaption

		Physical risk assessment 2030 and 2070 time horizons RCP 8.5 pathway	Short term flood, drought and other climate-related risks assessed at BU level	Physical risk assessment #2 Transitional risk and opportunity analysis	
	FY18	FY19	FY20	FY21	FY22
<b>Emissions reduction</b>			↓ 5%	↓ 8%	↓ ~10%
	Science-based target commitment	Science-based target verified and published	Energy efficiency projects completed in Australia	WELT coal reduction project completed for cement operations  Solar installation at Laminex NZ, solar feasibility study in Australia	Continued coal reduction in cement operations  Significant gas reduction projects for steel operations  Solar installation in Australia commenced  Construction of new, energy efficient, wallboard plant commenced  1.5 degree house design completed

This report provides information about how Fletcher Building assesses and manages climate-related risks and opportunities. We have summarised our approach within the four pillars of recommended disclosures by TCFD:

- **Governance:** our governance of climate-related risks and opportunities;
- **Strategy:** the actual and potential impacts of material climate-related risks and opportunities on our businesses, strategy, and financial planning;
- **Risk Management:** how we identify, assess and manage material climate-related risks and opportunities; and
- **Metrics and Targets:** metrics and targets we use to assess and manage relevant climate-related risks and opportunities.

# Governance

## Our governance of climate-related risks and opportunities.

### Board oversight

Fletcher Building's Board has responsibility for our strategic direction along with oversight of our operations and risk management.

The Board has delegated authority to oversee climate-related matters to our Safety, Health, Environment and Sustainability (SHES) Committee and our Audit and Risk Committee (ARC).

There are at least four SHES Committee meetings annually. Progress against our carbon reduction targets and initiatives is reported to the SHES Committee at each meeting. We assess climate-related risks as part of the Environmental and Business Resilience risk review that is conducted at least every two years, and is reported to the Audit and Risk Committee.

### Management's role

There are a number of management roles with responsibility for assessing and managing climate-related risks.

Fletcher Building has established a Climate Reporting Working Group with representatives from our Finance, Investor Relations, Risk and Treasury, Company Secretariat, Corporate Affairs and Sustainability teams. This working group is tasked with ensuring that the Group meets any climate-related reporting requirements, including TCFD. The working group reports to the Chief Financial Officer, Group General Counsel and Chief People Officer.

Fletcher Building also has roles with specific responsibilities to assess and manage climate-

related matters at a Group level, and to report on these matters to the ARC and SHES Committees. These include our General Manager of Treasury & Risk, General Manager of Sustainability and our Carbon and Environmental Performance Manager.

# Strategy

## The impact of material climate-related risks and opportunities on our businesses, strategy and financial planning.

In FY22, we carried out an assessment of our climate-related transitional and physical risks.

We identified a number of transitional risks and opportunities for our business, and these are summarised in Table 1 and Table 2 at the end of this document.

The physical risks assessment was a refresh of the 2020 assessment completed by Aon New Zealand (Aon). To provide a meaningful test of the resilience of our operations to climate change, the "reasonable worst-case" climate scenario of RCP 8.5 was selected for our physical risk assessment. We summarise the key findings of this assessment in the Risk Management section of the disclosure. We have already integrated climate-related risks into aspects of our business strategy and financial planning. These include assessment of regulatory impacts on our business, and responding to customer demand for lower carbon products, such as low carbon cement.

In 2021, we set up a Climate Reporting Working Group to take further steps to ensure that all climate-related risks and resilience are included in strategy and financial planning. We are currently reviewing how we will further integrate climate risk management and resilience into our strategy.

Areas we are looking to develop include, but not limited to: -

- Reviewing, and potentially increasing the divisional capability to assess climate risks;
- Formalising the process to include climate risk and impact assessment into our capital expenditure approval process across the Group; and
- Preparing a more detailed analysis of high risk assets identified in Aon's physical risk assessment completed in FY22, including, any potential mitigation strategies.

## Risk Management

### How we identify, assess and manage material climate-related risks and opportunities

Looking at projected climate change for New Zealand and Australia over the next 100 years, both countries will experience an increase in temperatures, and communities on the coast will be faced with increased sea levels. Additionally, 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 climate-related exposure of Fletcher Building sites.

Taking these changes in to account, with the assistance of Aon we completed an analysis of both physical and transitional risks in accordance with the TCFD framework in 2022.

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<sup>1</sup> RCP 8.5 is a representative concentration pathway that models radiative forcing levels of 8.5 W/m<sup>2</sup> by 2100 and delivers a temperature increase of about 4.3 degrees C by 2100, relative to pre-industrial temperatures. RCP 8.5 is consistent with the current pace of global emissions, with continued economic and population growth and without energy sector transformation to lower carbon options and is therefore used here as a 'reasonable worst case' scenario.

## Transitional risks and opportunities

For transitional risks, we looked at risks and opportunities that are expected to arise over the three to ten year horizon. We identified a number of risks and opportunities, which were prioritised based on their impact on the business.

The key five risks and opportunities, together with the likely impact on our business and our response to the risk or opportunity, are summarised in Table 1 and Table 2. In line with the TCFD framework, we focused on the areas of policy and legal, market, technology and reputational risk. We focused on opportunities from resource efficiency, lower carbon energy sources, products and services, markets, and resilience.

As can be seen from the summary of both risks and opportunities, a continued focus on carbon emissions reduction, and moving to lower emission energy sources needs to continue to be a core part of our business strategy. This will allow us to increase the provision of low carbon products to the market, a key opportunity for Fletcher Building.

## Physical risks

As noted in the previous section, physical climate-related risks for the FY30 and FY70 time horizons were reviewed, using the 'reasonable worst case' climate scenario known as RCP 8.5. The assessment focused on key climate-related hazards, including rainfall, temperature, sea level rise and extreme storm events.

For all sites, climate-related hazards were assessed and the change in climate exposure over the identified timeframes was determined. Sites were tiered to reflect values (Tier 1 >\$30m, Tier 2 \$10-30m, Tier 3 <\$10m).

A high-level assessment was carried out for all our sites, which is circa 800 sites. The majority

of these sites are Tier 2 or Tier 3 sites. A more detailed assessment was carried out for all Tier 1 sites. Tier 1 sites represent 7% of our sites by number, but 73% of the value.

Key insights of the physical risk assessment were:

1. Across all sites, including the Tier 1 sites investigated in greater detail, a change in risk is not expected to be material in the FY30 timeframe.
2. There is some change in risk at the FY70 timeframe due to changes in climate stressors.
3. 22 out of the 55 Tier 1 sites assessed in detail are shown to have at least some level of increase in climate-related risks under the 'reasonable worst case' scenario assessment at the FY70 time frame.
4. Four sites have been identified as the focus for further assessment to better determine the risk at the FY70 horizon. These sites are geographically spread and are in our Australian, Construction and Concrete divisions.
5. Less than 2% of the Fletcher Building asset value has high or extreme flood hazard exposure.

The next steps for our business, as we review how we will further integrate climate risk management and resilience into our strategy, include:

1. Reviewing, and potentially increasing our climate risk assessment capability
2. Continuing to include transitional risks in our risk matrix under the Business Resilience and Environmental risk categories
3. Continuing to formalise how we include climate risk and impact assessment into our capital expenditure authorisation process
4. Further assessment of Tier 1 assets that are more vulnerable to climate risk to identify options to manage any identified risks
5. Assessing the importance of the small number of Tier 2 and 3 sites identified

as having 'High' or 'Extreme' exposure to climate-related hazards

6. Assessing the financial impact of climate change on our business and investments.

## Metrics and Targets

In 2019 we set a Science-based Target for emissions reduction, and were the first company in our sector in Australia and New Zealand to do so. This is our '30 by 30' target – a 30% reduction by 2030 for Scope 1 and 2 emissions, against our baseline year of 2018.

Our Scope 3 Science-based Target is for 67% of our suppliers to have set a Science-based Target, based on their own emissions. Currently ~25% of our supply chain either have set a Science-based Target or are working with the Science-based Targets Initiative on a sector-specific decarbonisation pathway.

Our Scope 1, 2 and 3 emissions are externally audited and disclosed annually. We report on our emissions and progress on reduction from our baseline year of FY18 as part of our Annual Report and Interim Results market updates, and we disclose our climate-related emissions, risks and opportunities annually to the Carbon Disclosure Project (CDP). Our [annual emissions](#) and [assurance statement](#) are also available on our website.

We provide high level commentary on our process for assessing climate-related risks in our Annual Report. We also report progress on our other environmental and sustainability metrics and targets each year in our Annual Report and on our website.



# Table 1 - Key Transitional Risks

Risk type		Timeframe <sup>2</sup>	Risk	Impact	Response
Policy and Legal Market Technology Reputation S M L			Policy and regulatory changes including carbon pricing policies that disincentivise local manufacture or incentivise imports of more carbon-intensive products by competitors.	Incentivised imports of more carbon-intensive products, for example cement, which discourages further investment in reducing carbon emissions due to increased operational costs up the value chain.	<ul style="list-style-type: none"> <li>Fletcher Building is monitoring regulatory changes to the Emissions Trading Scheme (ETS) and other carbon pricing mechanisms on an ongoing basis, and engages with industry groups and central government on these changes</li> <li>Regular financial projections are undertaken to understand cost implications of potential regulatory changes to the business.</li> </ul>
Policy and Legal Market Technology Reputation S M L			Failure to meet consumer, client and investor expectations on sustainable innovation.	Loss of market share to lower carbon competitor products, and reduced enterprise value leading to lower stock price and lower ability to access ESG financing.	<ul style="list-style-type: none"> <li>Fletcher Building has committed to achieving '30 by 30' Science Based Target, The business has targets to increase the revenue from sustainable products Year on year</li> <li>Market risks are assessed both at operational and corporate levels with significant risks addressed in the business strategy</li> <li>The risks of not providing low carbon products or building solutions are included in the company business strategy processes</li> <li>The business is continually scanning for latest technology globally and Fletcher Building has a central Innovation Team that supports business units to identify low carbon products and sustainability innovations.</li> </ul>
Policy and Legal Market Technology Reputation S M L			Early introduction of greener products/services by competitors.	Loss of significant market share, potentially as a result of the introduction of new, more cost-effective products in the market by a competitor.	<ul style="list-style-type: none"> <li>Fletcher Building regularly scans for comparable products globally and plans to introduce appropriate products into the market as an early mover.</li> </ul>
Policy and Legal Market Technology Reputation S M L			Failure to use alternative renewable energy sources for processing.	Greater financial costs to the business and ultimately to end users.	<ul style="list-style-type: none"> <li>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</li> <li>Changes in pricing policies for energy sources happens incrementally over time, allowing Fletcher Building to prepare and plan for cost implications and reduce end cost to customers</li> <li>In Australia, Fletcher Building regularly reviews energy costs and market trends, and forward purchases electricity, including green electricity, to insulate the business from cost/ supply shocks. A proportion of supply is for green energy.</li> </ul>
Policy and Legal Market Technology Reputation S M L			Public Perception as a Large Carbon Emitter.	Reduction of attractiveness to stakeholders including investors, shareholders, insurers resulting in reduced capital availability impacting on value.	<ul style="list-style-type: none"> <li>Fletcher Building has public carbon reduction commitments and has initiatives in place to address the major sources of emission, which are publicly reported</li> <li>The company 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 .</li> </ul>

<sup>2</sup> We have used 0-3 years as our Short timeframe, 3–10 years as Medium and 10-30 years as Long, which is consistent with our risk and opportunity disclosures to CDP.

## Table 2 - Key Transitional Opportunities

Opportunity type timeframe	Opportunity	Impact	Response
<p>Resource efficiency Energy source <b>Products and Services</b> <b>Markets</b> Resilience <b>S M L</b></p>	<p>Innovation and development of building products and services with a smaller carbon footprint.</p>	<p>Improved competitiveness in the ANZ building market.</p>	<ul style="list-style-type: none"> <li>Fletcher Building has a focus on low carbon and sustainably certified products, and this creates market opportunities – for example, the low carbon cement provided to clients such as WaterCare to support their 10-year programme to reduce capital works carbon emissions by 40% by 2025.</li> <li>Plans in place to increase the number of products that hold Environmental Product Declarations and other life-cycle assessment or sustainability certifications, and to hold sustainability certifications for all major products.</li> </ul>
<p>Resource efficiency Energy source <b>Products and Services</b> <b>Markets</b> <b>Resilience</b> <b>S M L</b></p>	<p>Fletcher Building's '30 by 30' programme (30% GHG emissions reduction by 2030) and its efforts to reduce the adverse effects of climate change on its assets and operations.</p>	<p>Making the business more resilient to both potential future regulatory changes and climate-related physical impacts.</p>	<ul style="list-style-type: none"> <li>The business, with the support of Aon, has assessed potential climate-related physical risks in 2020 and updated in 2022, and is identifying ways to reduce the impact of climate change on the business</li> <li>Fletcher Building has carbon reduction plans for each business unit, to reduce Scope 1 and Scope 2 emissions, and is working with the top 500 suppliers to the business to understand the identify ways to reduce Scope 3 emissions.</li> </ul>
<p><b>Resource efficiency</b> <b>Energy source</b> <b>Products and Services</b> <b>Markets</b> Resilience <b>S M L</b></p>	<p>Improving energy efficiency through the implementation of the '30 by 30' emissions reduction program and implementing circular economy principles within the FB business group, by using waste from other industries as raw material for another</p>	<p>Increased resource efficiency and reduced operational and manufacturing costs</p>	<p>Examples of relevant initiatives to increase resource efficiency include:</p> <ul style="list-style-type: none"> <li>Alternative fuel sources for cement operations, including ongoing use of biofuel and the 2020 implementation of waste end-of-life tyres, which would otherwise go to landfills, are used as fuel in the cement making process to substitute 15% or more of the coal used and to reduce the iron required to make cement</li> <li>Design of the new Winstone Wallboard plant, which is due to open in 2023, and will reduce emissions by 10%. It will also increase water efficiency and use of recycled materials in the product.</li> </ul>
<p>Resource efficiency <b>Energy source</b> <b>Products and Services</b> <b>Markets</b> Resilience <b>S M L</b></p>	<p>Opportunities to use alternative greener energy sources</p>	<p>Reduced cost and reduced carbon emissions .</p>	<ul style="list-style-type: none"> <li>Fletcher Building is implementing a range of greener energy alternatives across the business, including installing rooftop solar arrays on sites in both Australia and New Zealand, converting gas fired processes to electricity in our Steel business and progressively transitioning our diesel fleet to hybrid.</li> </ul>
<p>Resource efficiency Energy source <b>Products and Services</b> <b>Markets</b> <b>Resilience</b> <b>S M L</b></p>	<p>Potential opportunities to support climate adaptation, from NZ's national adaptation plan.</p>	<p>Market opportunities for FB's products and services.</p>	<ul style="list-style-type: none"> <li>Adaption and resilience solutions for infrastructure, and for residential development, including water harvesting and attenuation and community master planning to build resilient houses and communities are part of the business strategy</li> </ul>