

Tuesday 19 October 2021

FLETCHER BUILDING LIMITED
2021 Annual Shareholders' Meeting
Chair's Address

FY21 results at a glance

On behalf of the Board, I'm pleased to report that Fletcher Building delivered a very strong set of financial results in FY21. Over the last three years, the Board has been very focused on driving our strategy to lift performance so I am pleased with what has been achieved so far. It demonstrates we are on the right track and are achieving key milestones for continued performance and the future success of our business. The result is testament to the leadership of the Executive Team and the focus from all our people, particularly amidst the uncertainties of COVID. The ability of our teams to shift tack rapidly through this time has been noteworthy and we thank everyone across Fletcher Building for their hard work.

Group revenue for the year was \$8.1 billion. In NZ, our exposure to the strong residential market had a positive impact, while in Australia, the effects of a slower commercial and civil market was a slight headwind. Pleasingly EBIT before significant items was \$669 million.

Net earnings for the year were \$305 million. This included \$128 million of significant items from the impairment of Rocla and the last phase of restructuring costs.

The strong performance across all dimensions of cash management through FY21 was very pleasing. Cash flows from operating activities were \$889 million.

Against this backdrop and our confidence in the outlook, the Board considered that a buyback programme was an efficient way of returning capital to shareholders and the Board was pleased to pay total dividends of 30 cents per share for the financial year.

Board focus on safety, sustainability and delivery across value chain

The Board is very focused on driving strong outcomes across a range of ESG measures and driving a performance culture in particular on safety, sustainability and innovation. We acknowledge that cultural transformation on the many fronts which I will now outline can take time, but we are making solid progress.

We believe that embedding a safety culture across the Group is critical. Our safety goal is a future where zero injuries everyday is possible and where everyone comes home from work safely. We are continuing to make good progress; with 85% of our sites injury free and our overall injury rates dropping to just under 5.0 for the year. It is worth pointing out this is our lowest level ever.

Development and training on safety is across all levels of our business which has the aim of both lifting the skills and changing the culture of our organisation.

On sustainability, we continue to make good progress towards our, “30% by 2030” carbon emissions reduction goal. Sustainable carbon emissions are now running at 5% below our 2018 levels. Our group-wide carbon reduction roadmap sets out ongoing projects that are key to achieving the overall reduction goal. In this vein, we are aligned with the Government's transition to a low emission economy. We are keeping abreast of the ETS changes and assessing the impact on our business to ensure the best possible outcomes. We do have some general concerns about any ETS changes, or carbon policy that could discourage further investment in reducing carbon emissions and incentivise imports of more carbon-intensive products.

We do not believe that this is beneficial to NZ Inc or to global carbon emissions to move manufacturing from NZ to overseas competitors. These are important topics that we continue to proactively engage with government about.

Finally on this slide, the Board is focused on continuing to drive an innovation mindset and culture which is central to achieving our goals of ongoing performance and growth. This means advocating investment in all parts of the value chain, championing an environment for the continual generation of new ideas and concepts as well as looking at major trends globally and bringing those opportunities in.

Ongoing investments in technology and data will further enhance the strength of our business and is critical for future success.

Driving improved outcomes for our people and customers

Importantly, this focus is aligned to driving meaningful outcomes for our people and customers.

As a Board, we value the importance of investment in our talented and diverse workforce through training programmes and providing continual career development opportunities. We are driving the improvement of diversity and inclusion of our people by fostering an inclusive culture, having greater women representation and more ethnicity in leadership. We have targets in place to deliver initiatives including increasing the number of women in operational roles year on year. We are also driving gender pay parity with action plans in place to close the gap.

Ultimately the Board is focused on overseeing improvement in our engagement levels as we recognise they are not at the level we want them. We have continued to support our people through the more recent COVID disruptions with health and wellbeing support as well as certainty of remuneration through the lockdowns.

A key action taken by the Board during the year was on remuneration. We made significant changes to the group-wide remuneration framework with the main outcome being that the new structure aligns more closely to the interests of our shareholders. We'll continue to engage with shareholders on these and other matters.

Meanwhile, key to strengthening our customer relationships is the recognition that our investment in innovation and driving solutions for our customers is essential for their success. As

we continue to navigate the range of service disruptions due to the pandemic and general supply chain constraints, we are focused on continuing to improve our customer experience.

Delivering long term value for shareholders

As we look forward, we are very confident about the current momentum and future performance of Fletcher Building. We are still navigating the complexities of COVID, but it's clear that more collaboration between Government and business will bring benefits to the economy and to society more broadly as we prepare for living with COVID. Encouragingly, vaccination levels are trending in the right direction on both sides of the Tasman which we expect will unlock more freedoms and allow businesses and economies return to normal.

Our economies need resilient companies with vaccinated workforces to meet demand and fill supply chains without the risk of further disruption. So looking ahead, we will continue to advocate for a rational, risk-based approach from the Government when it comes to progressively opening up the economy and removing border restrictions as vaccination levels continue to rise.

To achieve this, businesses are looking for more certainty and speed of decision making from the NZ Government around things like the roll-out of Rapid Antigen Testing, combined with support to drive up vaccinations for their workforces. This is about safety for workplaces, safety for customers and safety for the community.

Like other businesses, we welcome more investment and focus on the vaccination drive and a clear signal that unvaccinated people will face restricted access to travel and other activities. I strongly believe the most effective way to convince people to get vaccinated is a nationwide vaccine "passport". We've been encouraged by the NZ Government's testing of a vaccine passport app and are looking forward to seeing more details around how it will be used in practice.

Meanwhile, the NZ government has signalled their intention to conduct a market study into building materials in which we will fully participate when it is established. We've argued strongly for some time that residential land is the largest cost contributor to new housing development and that the cost of building materials is highly variable between New Zealand and Australia. We are confident that there are a number of cost dynamics playing out in residential housing development beyond building products and we are looking forward to presenting our views to the Commerce Commission at the appropriate time.

As ever, we remain acutely focused on cash, a healthy balance sheet and delivering to our shareholders and we are excited about what we are seeing at the Board table as the Group continues to drive operational performance and make value-enhancing growth investments.

Before handing over to Ross, I would like to express my thanks to our shareholders for your continued support, I am confident Fletcher Building is very well-positioned for the future. With that, I now invite Ross to provide his address

ENDS