

# 2021 Tax Transparency Report

Fletcher Building Limited

Fletcher Building (Australia) Pty Limited

# 2021 Tax Transparency Report

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# 2021 Tax Transparency Report

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I am pleased to present Fletcher Building Group's Tax Transparency Report in respect of the year ended 30 June 2021. Fletcher Building is publishing this report on a voluntary basis as part of our commitment to tax transparency. The report provides detail on the following areas:

- An outline of our Group Tax Policy, Tax Strategy and Governance policies
- A reconciliation of our New Zealand (NZ), Australian and global income tax expense to income tax payable, and disclosure of our effective tax rate
- A breakdown of our Australian tax contribution of both state and federal taxes
- A summary of our international related party dealings

The contents of this report satisfy the Australian Voluntary Tax Transparency Code to which Fletcher Building Australia is a signatory. The Code is a set of principles and minimum standards on public disclosure of tax information, developed by the Board of Taxation and endorsed by the Australian Government in the 2016–17 Federal Budget. Segments of this Report have been prepared to align with the Australian specific requirements of the Code.

The information in this report should be read in conjunction with the Fletcher Building Limited 2021 Annual Report.

**Bevan McKenzie**

**Chief Financial Officer - Fletcher Building Group**



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## Fletcher Building overview

- Fletcher Building Limited (“Fletcher Building”) is a manufacturer and distributor of high-quality building materials for a broad range of industries across Australia and NZ, employing people at manufacturing, distribution and sales sites. The businesses manufacture products used to build homes, buildings and infrastructure – including insulation, plasterboard, laminate surfaces, steel roofing, and plastic and concrete piping. The Group also operates in the residential (NZ) and commercial construction (NZ, South Pacific) sectors.
- Fletcher Building is tax resident in NZ and listed on both the NZX and ASX. At 30 June 2021 it employed over 14,500 people across the Group, including 9,714 in NZ and 4,378 in Australia (with the balance of staff located predominantly in Fiji). It had revenues in 2021 of \$NZ8.12 billion, net earnings before taxation of \$NZ433 million, income tax expense of \$NZ116 million and net earnings of \$NZ305 million.
- Fletcher Building Holdings New Zealand Limited is the holding company for the NZ businesses. Fletcher Building (Australia) Pty Ltd (“Fletcher Building Australia”) is Fletcher Building’s holding company for its Australian businesses.
- The Australian businesses include Laminex, Iplex Pipelines, Fletcher Insulation, Tradelink, Oliveri Solutions, Stramit, Rocla and Australian Construction Products. The NZ businesses include Winstone Wallboards, Laminex, Fletcher Steel, Iplex Pipelines, Tasman Insulation, PlaceMakers, Mico, Winstone Aggregates, Golden Bay Cement, Firth, Fletcher Living, Clever Core, Fletcher Construction and Higgins.



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## Tax Policy, Tax Strategy and Governance

- Fletcher Building is committed to the highest standards of behaviour and accountability in respect of compliance with all its statutory obligations, including its tax affairs. Our framework of rules, relationships, systems and processes are designed to ensure that we meet best practice standards of governance.
- Fletcher Building formally adopted the OECD's Business Industry Advisory Committee's Statement of Tax Principles for International Business in 2017 to affirm Fletcher Building's commitment to responsible business tax management and in recognition that public trust in the tax system is a vital part of any economy it seeks to operate within.
- Fletcher Building's Tax Strategy is implemented and governed by a comprehensive Tax Risk Management and Governance Framework which has been approved by, and is reviewed at least every three years by, the Board. The Framework:
  - provides for an integrated and structured approach to reporting and managing tax risk by defining the parameters upon which tax is managed within Fletcher Building. The risk parameters are designed to ensure compliance with relevant tax law, achieve certainty in Fletcher Building's reported financial results and manage any reputational risk;
  - documents a tax code of conduct, FB's Tax Strategy and the Group's approach to tax planning;
  - defines the roles and responsibilities of the Fletcher Building Board, senior management and functional management when meeting tax obligations, and reporting and managing risks.
- The fundamental principle on which the risk parameters are based is that Fletcher Building will not enter any business transaction that is absent commercial rationale and is solely for the purpose of achieving a tax outcome.



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## Tax Policy, Tax Strategy and Governance (continued)

- The Group Tax function is delegated responsibility for managing tax risk within the agreed tax risk parameters. An internal escalation policy exists for referring matters to Group Tax for review and it is Group Tax's function to ensure that its business operations comply with the following tax principles:
  - Fletcher Building is committed to complying with the spirit and letter of the tax laws and regulations in the countries in which we operate and interpreting the tax law in a reasonable way, consistent with a relationship of 'co-operative compliance' with tax authorities.
  - Fletcher Building should seek to maintain positive relationships with tax authorities, founded on respect for each other's integrity and regular dealings that are open, honest and transparent.
  - Fletcher Building should work collaboratively with tax authorities to achieve early agreement on disputed issues and certainty on a real-time basis, wherever possible.
  - Fletcher Building may respond to tax incentives and exemptions.
  - Fletcher Building is committed to undertaking transfer pricing using the arm's length principle and will not seek to transfer value created to low tax jurisdictions or tax havens to avoid its tax obligations.
  - Fletcher Building should only engage in tax planning that is aligned with and supports the commercial and economic activities of the business and does not lead to an abusive result and does not enter transactions where the overriding purpose is to avoid or reduce tax.
- The Group General Manager – Taxation regularly reports to Fletcher Building's Audit and Risk Committee on key tax risks and other material matters and provides a comprehensive update at least biannually.
- Further details on our approach to corporate governance in general can be located at <https://fletcherbuilding.com/investor-centre/corporate-governance/>



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- Reconciliation of accounting profit to income tax paid

	NZ Tax Consolidated (NZ\$m)	Australia Tax Consolidated (A\$m)	Fletcher Building Group (NZ\$m)
Accounting profit/(loss) before tax	431.6	(6.8)	432.4
<b>Prima facie tax expense</b>	<b>120.8</b>	<b>(2.0)</b>	<b>121.1</b>
<i><b>Non-Temporary Differences</b></i>			
Tax in respect of prior years	(0.2)	(0.5)	(1.2)
Non-assessable income	(7.6)	(1.5)	(8.8)
Tax losses for which no deferred tax asset was recognised	0.0	17.9	17.5
Utilisation of previous unrecognised tax losses	0.0	(14.8)	(16.8)
Non-deductible expense & Other	2.3	0.5	4.5
Differences in tax rates	0.0	0.0	(0.4)
Other permanent differences	0.0	0.0	0.0
<b>Total Income Tax Expense after adjustments</b>	<b>115.3</b>	<b>(0.4)</b>	<b>115.9</b>
<b>Effective Tax Rate</b>	<b>27%</b>	<b>6%</b>	<b>27%</b>



# 2021 Tax Transparency Report

- Reconciliation of accounting profit to income tax paid (cont.)

	NZ Tax Consolidated (NZ\$m)	Australia Tax Consolidated (A\$m)	Fletcher Building Group (NZ\$m)
Income Tax Expense	115.3	(0.4)	115.9
<b>Temporary Differences</b>			
<b>- increase/(decreases) in deferred tax assets</b>			
Receivables	(1.9)	(0.4)	(2.3)
Inventories	(3.1)	2.3	(0.7)
Property Plant and Equipment	(3.6)	(1.4)	(5.4)
Intangible Assets	0.0	0.0	(0.3)
Provisions	(17.6)	(5.3)	(16.6)
Leases	2.9	(1.5)	1.3
Other	2.6	0.0	0.6
Pensions	0.0	5.7	2.9
Tax losses carried forward	(37.6)	0.9	(36.7)
<b>Deferred Tax Expense</b>	<b>(58.3)</b>	<b>0.4</b>	<b>(57.1)</b>
<b>Other Adjustments to Current tax liabilities</b>			
Opening balance in provision for income tax payable/(receivable)	(65.6)	0.0	(61.5)
Tax paid	0.3	0.0	(2.7)
Other	(3.1)	0.0	(3.6)
<b>Provision for Income tax payable/(receivable)</b>	<b>(11.4)</b>	<b>(0.0)</b>	<b>(8.8)</b>
Income tax instalments paid	0.0	0.0	
Income tax balance paid for 30 June 2021	0.0	0.0	
<b>Income tax paid for the year ended 30 June 2021</b>	<b>0.0</b>	<b>0.0</b>	



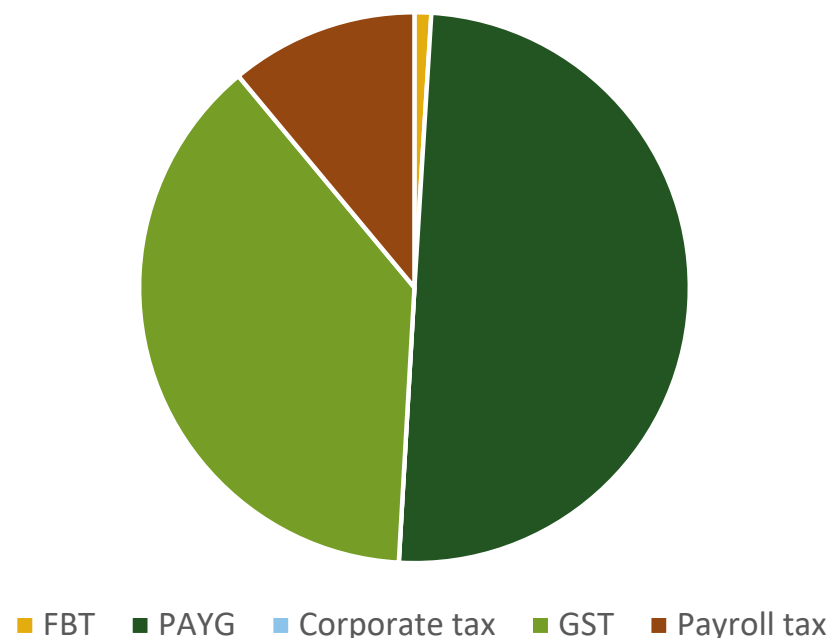


# 2021 Tax Transparency Report

## Australia tax contribution statement

- The Australian Voluntary Tax Transparency Code requires the preparation of an Australian Tax Contribution Summary. During the 2021 financial year, Fletcher Building Australia paid or collected approximately \$AU203.7 million of taxes on behalf of both Federal and State Governments in Australia.
- A summary of the taxes paid and collected is summarised below:

Tax	Level of Govt	2021 A\$M
Corporate tax	Federal	0.0
GST	Federal	77.5
FBT	Federal	2.0
PAYG	Federal	101.7
Payroll tax	State	22.5
Total		203.7



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## International related party dealings

- Fletcher Building has operations in various foreign jurisdictions but predominately operates within New Zealand and Australia. The foreign jurisdictions in which it operates and its foreign subsidiaries are listed in Fletcher Building's 2021 Annual Report (refer Statutory Disclosures under 'Subsidiary Company Information').
- Fletcher Building Group has relatively few international related party dealings. Fletcher Building does not operate a global integrated supply chain, rather Fletcher Building generally manufactures products for distribution in the country the products are manufactured. Products manufactured in Australia are almost wholly sold within Australia and while some product is imported from related parties (predominantly from NZ), it is immaterial, representing less than 2.0% of Australian sales.
- Where products are sold/purchased cross border, the transactions are conducted on an arm's length basis in accordance with ATO transfer pricing rulings and guidance and the laws and rulings of the related party country.
- Fletcher Building Australia also pays inter-group charges to NZ for services provided by different parts of the Group.

