



Fletcher Building dismisses BGC claims and provides detailed update on causation research to date

- Plumbing failures confined to Perth
- Evidence clearly points to installation as causation
- Testing to date proves no manufacturing defect
- Iplex supporting with AUD\$15m interim fund, working with regulator to assist with industry solution
- Recall is not justified and would be an unnecessary impact on homeowners
- BGC's repair estimate is misleading & sensationalist

Auckland, 13 October 2023: Fletcher Building Limited has today issued a detailed update on the cause of the plumbing failures that have occurred in a number of homes built in Perth during the period 2017 – 2022, along with the activities Iplex Australia is undertaking to support industry and homeowners in finding the right solution.

The announcement also provides a detailed rebuttal, backed by multiple Australian laboratories and international scientific experts, which exposes critical inaccuracies and inadequacies in claims levelled by BGC about the cause of the plumbing failures.

Due to the nature of BGC's release and concern regarding the factual basis of the information, Fletcher Building implemented a trading halt on Wednesday 11 October 2023. It has today addressed each of the concerns put forward by BGC.

Fletcher Building also updated the market on the Company's thorough testing and evidence gathering processes, including a proposed joint home inspection protocol that it is in the process of agreeing with the WA Government's State plumbing authorities (Building & Energy, Department of Mines, Industry Regulation and Safety - DMIRS).

We reaffirm that evidence to date clearly points to installation as the cause of the plumbing failures – with no evidence suggesting manufacturing is at fault. The data and information provided by product merchants, builders and plumbing



contractors confirms that the plumbing failures are limited to Western Australia and no abnormal leak rates have occurred elsewhere in Australia, contrary to claims made by BGC.

CEO Ross Taylor said: “Despite BGC’s attempts to blame shift, Iplex AU and Fletcher Building remain committed to our course of action in helping the industry resolve the plumbing failures in Perth. We will continue to scientifically work through causation of the failures and support the industry to put in place the best solutions for affected homeowners in Perth.

“BGC’s allegations are unfounded - their view on causation has changed over time. Our independent expert advice is that the methodology and hypothesis BGC used is gravely flawed and their findings unsupported.

“Notably, the various recent tests completed by BGC weren’t done to replicate comparable real-life conditions whereas our testing is doing just that. BGC has not performed any tests which measure the performance of the pipes against Australian or international standards. Ultimately, none of their claims help regulators or homeowners get to either an accurate understanding of the root cause of the failures in Perth, nor do they provide a practical, timely solution for all homeowners affected.”

The plumbing failures are limited to Perth, it is not national.

- Significant plumbing failures are **only evident in Perth**, despite the same quantity of pipe being sold nationally outside of Perth, pointing to region-specific installation practices as the cause of the failures.
- We have proactively spoken with our major east coast product merchants, builders and plumbing contractors who are by far the biggest users of Pro-Fit pipe and therefore, provide a valid comparison to the use of Pro-Fit in Perth over the same period.
- They have not advised us of any abnormal concerns, despite being aware of the circumstances in Perth.
- **See slides 7 and 16 for more detail**

The evidence points to installation as the root cause of the Perth plumbing leaks.

- Iplex's investigation has identified extensive evidence of poor installation. For every plumbing failure we have seen, there is one or more readily observable installation failures that are in breach of Australian Standards, the Plumbing Code and/or Iplex's installation instructions. These failures are of the type that generate stress and radial cracking.
- Of the homes investigated, 96% had at least one installation failure. The remaining 4% relate to failures which are either unrelated to the issue in question (e.g. rodent chew and fittings) or inaccessible pipes.
- The abnormal plumbing failure rates are only occurring in the Perth area, but the rates of failure are different across participants.
- Over the last five months, we have funded the repair of 383 homes through our fund. For 170 of these homes, our expert plumbing team attended the house prior to repairs being done and carried out a full inspection and rigorous data capture on both the installation and to provide pipe for testing. In 100% of these cases the installation failure was of a type that generates leaks.
- We are well progressed on our testing, having completed tests across circa 900 pipes, using six local and international external labs and experts, and conducting 24 different types of tests. These tests show that the Pro-Fit pipe performs as well as or better than its predecessor pipe.
- Examples of poor installation were also illustrated in BGC's own evidence pack. Comparisons can be found on slide (14).
- **See slides 10-15 for more detail**



Fletcher Building and our global polymer experts consider the Scheirs report not credible.

Resin

- BGC's allegations that the resin change causes the substandard performance is unsupported.
- Iplex tested the BGC hypothesis with tests conducted by independent laboratories, in conditions that deal with clean and failed pipe and various scenarios. Relevantly, those independent laboratory tests disprove the results key to Dr Scheirs' conclusions.
- Ylem is one of the major manufacturers of polybutylene resin in the world. They have not experienced any issues of this nature elsewhere including Korea, Japan, China, Europe, New Zealand and Australia other than Perth.

Molecular Weight Distribution Theory

- The tests required to measure Molecular Weight Distribution theory as proposed by BGC are highly specialised and require a sensitive testing regime which is why Iplex has obtained results from an international laboratory in the UK qualified to perform these tests. As a result of a testing error, BGC has been given results that are significantly lower than the results Iplex has obtained from its independent laboratory which has many years of experience testing polyolefin materials such as PB-1.
- In any event, based on the testing results received to date, Iplex believes the Pro-Fit pipe, when manufactured with Typlex resin, has a molecular weight distribution in excess of the "threshold" PD Index number of 3.5 that BGC says is necessary and most are in the "target range" that BGC believes is preferred.

Environmental stress cracking

- To test BGC's theory that the environmental stress crack resistance of the Typlex pipe is inferior to that of the previously used LYB pipe, Iplex engaged an independent qualified laboratory in Spain to perform a 'crack round bar' testing which measures the crack resistance of a polymer.
- The results received to date are in line with Iplex's internal view that there is no material difference between the crack resistance of LYB and Typlex. In fact, it appears that Typlex might be slightly more resistant to cracking.
- Independent experts believe the environmental stress crack resistance testing carried out by Dr Scheirs was not in full accordance with the referenced ASTM test methods and cannot be relied upon for making a determination of either materials' true environmental stress crack resistance.
- **See slides 24-26 for more detail**

Why do we have confidence in our evidence gathering, our testing + inspection regime?

- The BGC hypothesis cannot be relied on for causation. Iplex has undertaken more tests over significantly more samples.
- Iplex testing to-date in both its accredited NATA laboratory and multiple independent laboratories shows the Pro-Fit pipe is compliant with Australian standards.
- To-date Iplex has also collected evidence from in excess of 270 individual inspections of homes in Perth constructed by 12 different builders and plumbers. This has identified significant installation failures, in breach of Australian Standards, the Plumbing Code and installation guidelines.
- **See slides 19-21 for more detail.**



Fletcher Building and Iplex are committed to helping homeowners affected by the plumbing failures

- On 17 April 2023 Iplex Australia also committed AUD\$15m to an interim support fund to establish causation and inform appropriate fixes for homeowners and help Perth builders and plumbers to complete repairs (both leaks and resulting property damage) as well as ceiling pipe replacement in homes.
- To date, circa 383 homes have been completed through our fund at a cost of approximately AUD\$1m.
- We are very focused on ensuring the safety of the homeowner, and our interim fund is designed to provide funding and resources available to allow the plumbers and builders to respond urgently to any leak while root cause is established.
- We are trialing leak detection units on houses which automatically detect a leak event and shut off the water supply to the house – if these trials are effective then they may also be available to the builders.
- Iplex has also established a dedicated team on this project. This includes local qualified, specialist plumbing team in Perth to support builders and plumbers in investigating causation and innovative solutions to address the issue.
- Iplex believes that every effort should be exerted by the industry to find options that are efficient and effective for the benefit of affected homeowners. In the interests of assisting the industry and homeowners to address this issue in a timely and efficient way, Iplex continues to provide technical support to builders to assist them in understanding causation.
- The total expenditure in the fund to date sits at circa AUD\$3m and beyond the \$1m spent on installation fixes, the remainder covers costs for our dedicated WA plumbing team, testing and trials of various technologies such as house leak detectors and pipelining systems.
- **See slide 5 for more detail.**



Against this backdrop, a product recall is not justified and would create needless disruption to unaffected homeowners with perfectly good pipe and pipe installations.

- A recall is also totally impractical given capacity constraints in the industry.
- There are a number of less costly, less intrusive, and more rapid fix options for those homes that have been affected.
- Iplex is currently exploring multiple approaches that may be used to provide a solution including leak detectors, wall pipe mapping and pipe re-lining.
- **See slide 34 for more detail.**

BGCs estimated repair cost is misleading and sensationalist

- BGC's estimate is based on a full house re-piping which is not justified.
- Realistic scenarios that better align with the facts, suggest that an industry cost to repair Perth houses, could be a fraction of that, perhaps in the order of AUD\$50m to \$100m.
- **See slide 35 for more detail.**

"While not a product failure, we want to support the industry and homeowners to come up with the optimum suite of fix solutions that minimise inconvenience, time and cost for all involved. This work is being supported by our interim fund of AUD\$15m to ensure the repair work gets done in an effective timely fashion for homeowners, and that the industry is supported financially, while the industry develops an effective way forward," Ross Taylor said.

"Moving forward, we will continue to undertake the industry collaboration necessary to agree the best way forward. Iplex has agreed to jointly inspect



house leaks with the WA plumbing regulator to get an aligned data set. We will also finalise our testing and expert report during this period.

“Despite BGC’s position to work independently of the industry and ourselves, including refusing access to the funding available and allowing independent inspections of their homes, we will continue to share our ideas and methodologies with them in an attempt to help them help their customers,” he said.

ENDS

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