



Fletcher Building provides Iplex Australia pipes update

Auckland, 17 April 2023: Fletcher Building (“the Group”) today provides an update on the Iplex Australia Pro-fit pipe product issue. In Fletcher Building’s 2023 Interim Financial Results issued in February 2023, it was noted that Iplex Australia had received a number of product quality complaints relating to a hot and cold water polybutylene pipe product it previously manufactured (under the name “Pro-fit”). The complaints relate to leaks in homes, primarily built by group home builders in Western Australia, which have required repair or replacement of the pipes and, in some cases, damage to the affected homes. It was also noted that the Group was aware that the Western Australia building regulator (the Department of Mines, Industry Regulation and Safety, known as DMIRS) was undertaking its own investigation.

Reports to Iplex Australia are that, to date, about 1,200 of the 15,000 houses constructed in Western Australia using Pro-fit in the period mid-2017 to mid-2022 have experienced leaks. The date range is relevant as builders have told Iplex Australia that they have not experienced unusual levels of leaks in homes constructed prior to that period. Iplex Australia ceased the sale of Pro-fit in mid-2022.

The Pro-fit product was also sold into other States of Australia in that period. Reports to Iplex Australia are that the leak rate in those States is not materially unusual for a product of this type.

The Pro-fit product was sold only in Australia and the resin used in it during the period in question was not used by Iplex New Zealand or any other Fletcher Building company for any other product.

DMIRS has advised Iplex Australia that, while its tests are not yet complete, Iplex Australia should expect its results to lead to DMIRS finding that the leaks are due to a manufacturing defect. A Western Australia group home builder has also advised it expects to deliver to Iplex Australia the results of its own tests once they are completed.

For its own part, Iplex Australia is undertaking its own on-going, extensive investigation into the root cause. At this time, the work that has been completed does not identify a manufacturing defect.

In the near term, Iplex Australia expects to work with DMIRS and other stakeholders on the appropriate path forward. That path will be informed by the cause or causes identified, whether those matters are agreed or contested, the facts and patterns observed in the data provided by all parties, whether the regulators accept any proposed response plan and the availability of resources in the market to undertake work. The range of outcomes of that work plan may include some form of product replacement in the homes where it was installed, in whole or in part.

In the meantime, Iplex Australia’s assistance to builders is ongoing.



Iplex Australia has proposed interim arrangements with two large group homebuilders in Perth (who together constructed about 90% of the currently affected homes there) to assist them, as, in turn, they help homeowners. These are commercial proposals on a no liability basis which do not address, nor are they based on, causation. They offer a basis for an interim period for the two builders to replace ceiling product in homes that have leaked and repair damage as well as provide a body of data to allow Iplex Australia and other stakeholders to develop a plan for a longer-term solution.

In addition, Iplex Australia will establish a Fund of A\$2 million to assist other WA plumbers and builders who also constructed affected homes on a no admissions basis to reimburse costs incurred by them for the same scope of work as may be agreed with the two group home builders. Further information about the Fund will be published on Iplex Australia's website once available.

Fletcher Building chief executive Ross Taylor said: "We acknowledge the frustration and inconvenience impacted homeowners and their families are facing. We are working hard with builders to arrive at an acceptable outcome for affected homeowners."

In the 2023 Interim Financial Results, Fletcher Building noted that Iplex Australia had made a provision for this matter but that there was a risk that the provision was inadequate. As a result of the proposal made to the two group homebuilders and establishing the Fund to support other affected builders, Iplex Australia will increase that provision from A\$2 million to A\$15 million. That amount will be revisited if facts emerge to warrant it and as part of the full year financial reporting process.

The extent to which Iplex Australia will ultimately have accountability for this matter, the cost that may be incurred and the timing of any payments is not able to be established at this time. As noted in the 2023 Interim Financial Results Iplex Australia's exposure to costs incurred by the leaks will depend on the final determination as to their cause (or causes), the extent to which it and/or third parties are responsible and how any relevant insurance policies respond. The amount will also be dependent on the remediation required and the damage suffered by third parties which is attributed to Iplex Australia. These matters are likely to take some time to be identified and settled.

The Iplex Australia provision and any other cost relating to the Pro-fit pipe issue are excluded from the FY23 Group earnings guidance.

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