

Industry Response to WA Plumbing Issues finalised

Auckland, 13 November 2024: Fletcher Building Limited (the “Company”) today announced that its subsidiary, Iplex Pipelines Australia (“Iplex AU”), together with the Western Australian Government and key industry stakeholders, have finalised the Industry Response to address the plumbing failures which are impacting some WA homes constructed using Typlex Pro-Fit pipe. Now that the Industry Response has been finalised, funding of the agreed work programme is available to participating builders.

The Industry Response was first announced as an in-principle arrangement on 30 August 2024. The terms finalised today remain materially the same as those announced at that time. Iplex AU’s obligations under the Industry Response will be guaranteed by Fletcher Building Australia and its main subsidiaries.

In conjunction with legislation passed this month by the WA Government¹ and the introduction of a policy by the WA Building Commissioner about how building service complaints relating to the relevant plumbing failures will be managed, the Industry Response makes available a programme of works for all WA homes constructed with Typlex Pro-Fit pipe and that experience a plumbing failure. These measures apply irrespective of who built that home and whether that builder chooses to participate in the Industry Response. Builders who do participate will have their direct costs reimbursed by Iplex AU and the WA Government on the same basis as was described in the Company’s 30 August 2024 announcement.

These measures are provided at no cost to homeowners, whether that home is owned by the original purchaser or not.

In addition, Iplex AU will offer every eligible WA home a leak detection unit.

Owners of homes built by a builder who does not carry out the programme of work voluntarily, can lodge a complaint about the building service in their home, and the WA Building Commissioner may order that builder to undertake repair and remediation work. The WA Government has extended the allowable period for those complaints to be lodged from 6 years to 15 years and is encouraging homeowners to do so. The policy introduced by the Building Commissioner referred to above means that builders can expect remedy orders in response to these complaints will be a similar series of

¹ Building Services (Complaint Resolution and Administration) Amendment Act 2024

remediation and prevention measures to the work programme under the Industry Response.

Builders will not be entitled to reimbursement of their costs from Iplex AU or the WA Government, whether they do the work voluntarily or under an order, unless they are participants in the Industry Response. BGC is not currently a participant.

There are a number of other WA builders and plumbers who installed the relevant pipe and who have been accessing Iplex's interim investigation fund but who were not party to the Industry Response negotiations. Iplex AU will reach out to those parties so that the whole industry has an opportunity to join the Industry Response.

Homeowners who have been affected by plumbing failures are encouraged to contact their builder or, failing that, lodge a complaint about their building service with the Building Commission.

More details, including practical details about the leak detector roll out that is part of the Industry Response, can be found online at www.perthpbresponse.com.au.

Financial Statements Provision

Iplex AU's interim investigation fund will close to new claims. The total amount disbursed under that fund since its establishment in May 2023 is expected to be approximately A\$17.5 million. Of this, A\$2.5 million will be recognised in FY25, given that A\$15 million was already recognised in FY23. Cash flows relating to this fund are expected to be approximately A\$5 million in FY25.

As previously advised, Iplex AU expects to record a pre-tax provision of approximately A\$155 million in its FY25 financial statements in relation to its obligations under the Industry Response, to be classified as a Significant Item. This provision assumes that BGC joins. For so long as BGC does not join, the direct costs funded by Iplex AU will be proportionately lower, but the leak detector and overhead components are expected to remain substantially unchanged.

In the Company's 30 August 2024 announcement, cash outflows by Iplex AU in the first full 12 months of the Industry Response were expected to be in the order of A\$40-\$50 million. Noting that BGC has chosen not to participate, Iplex currently expects its share of Industry Response costs (ie after recovery of any reimbursement from the WA Government) for the 7 months to 30 June 2025 is more likely to be in the order of A\$15 million.

Risk

Despite the Industry Response being formalised and there being no product recall order, legal and financial risks remain for Iplex AU and the Company. As noted in prior announcements²:

- the Industry Response provision described above relates to the obligations Iplex AU expects to incur under it and is not an estimate of any other contingent exposure; and
- there are a number of claims against Iplex AU outside the Industry Response relating to these plumbing failures which seek recovery of a wide range of damages and losses on behalf of all relevant homeowners and some builders, including the class action previously advised. If a current or future claim was successful, it may have a material adverse impact to the Group. The Industry Response will operate to some extent as a mitigant of those risks but does not dispose of them. If those claims are successfully defended, the funding Iplex has disbursed under the Industry Response will not be recoverable from builders; but the Industry Response will have averted a recall order being issued.

The Industry Response does not affect the right of homeowners to take action. They are entitled to remain in the class action while taking up the work programme on offer. A final outcome of a class action may replace the Industry Response terms for the homes of class members and their successors.

Fletcher Building CEO and Managing Director Andrew Reding said: “The completion of the Industry Response is a significant step for affected Western Australian homeowners because it provides a practical and immediate response to affected homes, at no cost to the homeowner. Fletcher Building has long recognised that industry cooperation was required.

“We are pleased to be collaborating with builders and the Western Australian Government – and we thank them for their partnership in this process.”

#ENDS

Authorised by:
Haydn Wong
Company Secretary

² See FY24 Financial Statements notes 2, 12 and 26, the Company’s Industry Response announcement on 30 August 2024 and the Equity raising investor presentation on 23 September 2024.

Stock Exchange Notice: FBU.NZX, FBU.ASX



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