

SUBMISSION



Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)

Fletcher Building Submission to the External Reporting Board

19 November 2021

For comment, please contact: investor.relations@fbu.com

Submission on Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)

Thank you for the opportunity to comment on the External Reporting Board's *Aotearoa New Zealand Climate Standard 1, Climate-related Disclosures, Governance and Risk Management Consultation Document (NZCS1)*.

Fletcher Building is a leading building products, construction, and distribution business with emissions reduction and climate risk management as core parts of our business strategy. We support the New Zealand government's goal of achieving transparency in business reporting on climate-related issues across the New Zealand economy.

We are in the process of adopting the Task Force on Climate-related Financial Disclosures, and we are broadly supportive of the adoption of recommendations from the TCFD as outlined by the External Reporting Board (XRB). We have however outlined our views below regarding the implementation of these requirements to ensure there are no unintended consequences for Fletcher Building as we progress with our sustainability programme.

General Comments

Fletcher Building is supportive of the move to implement the proposed standard based on the recommendations of the TCFD being one of the leading global frameworks in this field.

We are progressing towards our Science-based Target to reduce carbon emissions from our 2018 baseline by "30% by 2030". We have developed a group-wide carbon reduction roadmap that details projects that are key to achieving the overall reduction goal and is overseen by our Board. In this vein, we are aligned with the Government's transition to a low emission economy. Our Group carbon emissions across New Zealand, Australia and the Pacific Islands have reduced 5% from our 2018 baseline so far.

It should be noted that we do have some general concerns about any changes to the Emissions Trading Scheme (ETS) or carbon policy that could incentivise imports of more carbon-intensive products and discourage further investment in reducing carbon emissions in New Zealand. We do not believe that this would be beneficial to the New Zealand economy or to global carbon emissions, where manufacturing is moved from New Zealand to overseas competitors. Cement manufacture is a good example of where local supply by Fletcher Building is currently around 20 per cent lower in carbon emissions than imported alternatives. We are keeping abreast of changes to the ETS and carbon policy and assessing the impact on our business to ensure the best possible outcomes.

Response to specific questions in the Governance and Risk Management Consultation Document:

7) The XRB is currently of the view that adoption provisions for some of the specific disclosures in NZ CS 1 will be required. However, the XRB does not believe it is necessary to provide any adoption provisions for entities in relation to the Governance and Risk Management disclosures. Do you agree with this view? Why or why not?

The Governance and Risk Management frameworks are already well established in Fletcher Building and examples of best practice in these areas are well documented. Therefore, we agree with the recommendation not to provide adoption provisions.

We do note that an enhanced disclosure framework for climate risk in New Zealand would need to be at a level of disclosure that did not disadvantage New Zealand businesses operating under the framework versus competitors in other jurisdictions that are not required to disclose climate-related risks.

8) The XRB currently intends NZ CS 1 to be concise and sector neutral, with sector specific requirements to be contained in guidance. Do you agree with this approach?

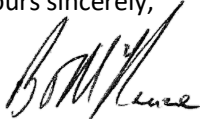
It is essential to address sector specific requirements and given the varied nature of Fletcher Building's industries it would be preferable to contain guidance outside the NZ CS 1 – this would ensure flexibility to update the guidance as required.

Conclusion and Recommendation

When it comes to the consideration of the TCFD framework as it pertains to Strategy and Metrics / Targets, we are very interested to ensure there is a level playing field for all industry sectors across the New Zealand economy. We are keen to be involved with the XRB and other parties to ensure a high-quality reporting framework is established for these areas.

Should you have any questions or require clarification please feel free to contact us at Fletcher Building Investor Relations - E-mail: investor.relations@fbu.com.

Yours sincerely,



Bevan McKenzie

Group Chief Financial Officer

About Fletcher Building

Fletcher Building is one of New Zealand's largest listed companies.

Our roots go back to 1909, when James Fletcher built his first house with Albert Morris in Dunedin. From those humble beginnings we today employ around 15,000 people across New Zealand, Australia and the South Pacific. We employ over 9,000 people throughout New Zealand and make a significant contribution to both the national economy, and many regional economies.

We define our purpose as *Improving the world around us through smart thinking, simply delivered*. We are driven through efforts to create a better more sustainable world. We want to be smart and innovative in all we do, making our customers' lives easier in the process. Fletcher Building builds homes, buildings and infrastructure that creates communities, improves productivity, and contributes to the quality of life for people living and working in cities and regions across New Zealand, Australia and the South Pacific.

Our impact spans the full construction value chain. We operate businesses from resource extraction, product manufacture and distribution, through to property development and infrastructure construction. The value we add to the New Zealand economy has been calculated at \$1.3 billion and our contribution to GDP is \$1.5 billion¹.

Fletcher Building is dual listed on the NZX and ASX and operates through six divisions – Building Products, Distribution, Concrete, Residential and Development, Construction, and Australia.

¹ NZIER, Building New Zealand, Fletcher Building's economic contribution, June 2018