REMUNERATION POLICY

Fletcher Building's remuneration philosophy is to attract, retain and motivate our employees with remuneration programmes that are market-competitive, flexible and affordable, and provide incentive to drive for both annual and long-term results, and maximize shareholder value.

The purpose of this policy is to outline the remuneration principles of the company, and to provide a documented set of guidelines with which the organisation administers its remuneration programmes.

1. NEED TO KNOW

- The one over one principle applies for approval of all remuneration proposals or decisions, except where specified otherwise in Fletcher Building's delegated authorities.
- Fixed remuneration is primarily set based on performance with consideration for industry benchmarks, capability,, contribution and demonstration of our values.
- Variable remuneration in the form of short term incentives and long term incentives operate entirely at the discretion of the Board. Participants are notified of their eligibility and participation on an annual basis.
- Any other incentive plan operated by a Business unit must be approved by the relevant Divisional Chief Executive, and reviewed by the Divisional General Manager People and Performance.
- The remuneration of all permanent staff – other than those bound by collective agreements – is reviewed annually, subject to being continuously employed by the company for at least three months prior to the review, and must account for the six main factors that contribute towards establishing equitable remuneration levels.
- Interim remuneration adjustments may be made at the company's sole discretion.
- It is a term of the standard employment agreement for the Executive Committee and some direct reports to Chief Executives, that over time they must acquire and maintain a holding in Fletcher Building Limited ordinary shares.

This policy applies to: All employees of Fletcher Building employed on individual employment agreements. Some elements of this policy document may apply only to specific groups of employees. Where this is the case, this is noted in the applicable section.

This policy is supported by other policies and guidelines provided for specific remuneration programmes and processes that can be found on Matrix.

Questions on this policy? Discuss with your Division/Business Unit People and Performance Manager.

Printing this policy? All our official policies are updated electronically and available on Matrix so before distributing please check you have the latest version.

2. POLICY DETAIL

2.1 Definition

- **Executive Committee** includes the Chief Executive Officer and Chief Executives.
- **Layer 3 and above roles** includes the Chief Executive Officer, Chief Executives and direct reports to Chief Executives excluding roles such as Executive Assistants.

2.2 Remuneration Principles

- **Shareholder:** Focus on the creation of shareholder value by driving an ownership culture with 'skin-in-the-game'.
- **People:** Attract and retain high calibre people, rewarding high standards of performance and values.
- **Strategy:** Focus on sustainable earnings, growth and key company goals and objectives (short and long-term).
- **Risk:** Encourage conduct that does not expose the Group to inappropriate risk while promoting high standards and accountability.

2.3 Authorities

- The delegated authorities for approvals for all remuneration proposals or decisions are as follows:

Remuneration proposal or decision for (including at appointment and termination)	Recommends	Approve
Chief Executive Officer	People and Remuneration Committee	Board of Directors of Fletcher Building Limited (the Board)
Direct reports to the Chief Executive Officer	Chief Executive Officer	People and Remuneration Committee
Direct reports to the Chief Executives	Chief Executives	Chief Executive Officer
All other employees	Line Manager	One over one principle applies
Any special payments of up to and including NZ$75k		Chief Executive
Any special payments of greater than NZ$75k but no more than NZ$150k		Chief Executive Officer
Any special payments of greater than NZ$150k		People and Remuneration Committee

- Additional authorities:
  - Any material variations to any of the terms of the standard layer 3 and above employment agreement, including redundancy terms, requires People and Remuneration Committee Approval.
  - The Company may, at its discretion establish additional levels of approval as part of internal processes, which may be modified from time to time.
- The remuneration policy and process is administered by Group People and Performance.

2.4 Components of remuneration

- Remuneration at Fletcher Building includes a mix of fixed and variable (incentive) components. The relative weighting of the fixed and variable remuneration components of the Executive Committee are set out in the Remuneration Section of the Annual Report.

2.4.1 Fixed remuneration

- Fixed remuneration includes base salary, guaranteed cash allowances and any non-cash benefits and superannuation/KiwiSaver, where applicable.
- Roles are evaluated to provide a guide for determining an appropriate level of remuneration using common criteria, to ensure a consistent and equitable approach. Each role is allocated to a Fletcher Building band according to the evaluation outcome which takes into consideration the accountabilities of and competencies required for the role. Roles are evaluated on inception or as required e.g. significant change to the role.
- The Hay Group remuneration database for industrial and service organisations is used to determine current and forecast external remuneration rates and movements for all roles, with the exception of those reporting directly to the Chief Executive Officer. Remuneration packages are structured based on country and industry practice.
- Fixed remuneration is primarily set based on performance, with consideration for industry benchmarks, capability, contribution and demonstration of our values .
- In the case of roles reporting directly to the Chief Executive Officer, pay comparators are derived from a remuneration benchmark pool of Australian and New Zealand companies, adopted at the company's sole discretion, and approved by the People and Remuneration Committee.
- Benchmarks are to be used as a guideline and not considered absolute.

2.4.2 Variable remuneration

- Variable remuneration can include short-term and/or long-term incentives, both operate entirely at the discretion of the Board. Any short-term incentive (STI) is provided in the form of a cash bonus, and for layer 3 and above roles a portion is provided in the form of deferred equity, while any long term incentive (LTI) is typically provided in the form of equity.
- The operation of any variable incentive plans and any payment under such is entirely at the Board's discretion. Participants of any STI and / or LTI plan will be notified of their participation or eligibility on an annual basis, and details of any plan will be provided to eligible participants.

2.4.3 Short-term incentive remuneration (STI)

- STI remuneration recognises, on a discretionary basis, the achievement by eligible individuals of financial, safety and individual performance objectives. Unless specifically otherwise determined, STI opportunity is expressed as a percentage of base remuneration according to job category as determined in the annual invitation letter. Actual STI (if any) is determined by performance against financial targets, safety targets, and individual objectives or performance targets as appropriate.

- Participation in the STI plan and the payment of any STI opportunity available for any given financial year is at the sole discretion of the Board. The company operates one main STI plan, this is the senior STI plan, of which those most directly able to influence the performance of the business are invited. This includes the Executive Committee, direct reports to Chief Executives, and some of their direct reports
- The STI plans and applicable rules are subject to periodic review and variation by the People and Remuneration Committee with Board approval.
- The Board has the discretion to require repayment of an STI (cash or equity) for a period of up to three years from the end of the applicable financial year, where the Company's financial statements were incorrectly reported, there is misconduct that causes a financial trading loss that has not been taken into account in the STI calculations or an error or misstatement has resulted in a material overpayment, or the Board determines that a participant engaged in serious misconduct.

2.4.4 Other incentive plans

- Business units may operate other incentive plans such as sales incentives and/or productivity incentives, providing an opportunity to earn a variable component of remuneration on a discretionary basis in addition to fixed remuneration. Any such plans are subject to prior written approval of the relevant Divisional Chief Executive, in consultation with the Divisional General Manager People and Performance, and regular review, and at all times must conform to the following core principles:
  - Incentive plans should align participating employees with the key goals of the relevant Business unit or subsidiary company;
  - They should be performance based and any incentive payment should be based on the achievement of specific, objectively measurable targets;
  - They should not reward behaviour that is inconsistent with the interests of our customers;
  - Incentive plans should provide for payment in proportion to performance achieved and provide for no incentive to be payable if the business unit cannot afford it;
  - Incentive plans should be self-funding so that the total target profit or margin exceeds the total amount of potential incentive payments possible under the plan;
  - Where possible, any incentive payments should be inclusive of any employer contributions to retirement savings or superannuation plans;
  - Offers of any incentive plans and the payment of any variable remuneration must be discretionary, and subject to amendment, substitution or withdrawal at the business unit's discretion at any time, including during a financial year. Notwithstanding achievement of all applicable targets, the company has the absolute discretion to alter or decline payment of any amount under the incentive plan where in its sole opinion there is good reason to do so.

2.4.5 Long term incentive (LTI) remuneration

- The company has in place an LTI scheme targeted at the Executive Committee who are most able to influence the results of the company. The details of Fletcher Building's LTI plan approved by the Board will be provided to eligible participants.

2.5 Remuneration reviews

- All remuneration review processes must account for the six main factors that contribute towards equitable remuneration, namely:
  - job evaluation;
  - external market relativity;
  - internal pay parity;
  - capability;
  - individual performance in role; and
  - affordability.

2.5.1 Annual remuneration review

- The remuneration of all permanent staff – other than those bound by collective agreements to other dates – is reviewed annually. To be eligible for an annual review, the employee must have been continuously employed by the company for at least the preceding three months. The company is not obliged to increase an employee's remuneration following any annual review.

2.5.2 Interim remuneration adjustments

- Interim remuneration adjustments may be made at the company's sole discretion as a result of for example, a transfer, promotion, or increase in responsibility occurring outside the annual review cycle. Any proposal to adjust remuneration must be supported with appropriate information, and follow the same approval process as set out in the authorities section of this policy.

2.6 Special payments

- No special payments – whether to recognise acting appointments, or to retain an employee at risk of leaving the company, or to address location-based pay differences or for any other reason – may be made, or committed to, without prior written approval as per the Fletcher Building Group Delegated Financial Authorities.
- Where possible, special payments will be inclusive of any employer contributions to retirement savings or superannuation plans.

2.7 Shareholding requirement

- It is a term of the standard employment agreement for the Executive Committee and some direct reports to Chief Executives, that over time they must acquire and maintain a holding in Fletcher Building Limited ordinary shares. The Company believes a shareholding requirement strengthens the alignment of its Executive Committee and other senior individuals with the interests of shareholders and puts their own remuneration at risk to long-term Company performance.

2.8 Amendment

- This policy may be amended or revoked at the company's discretion at any time.

2.9 More Information

- For guidelines and additional detailed information about provisions within this policy, refer to the Matrix under Working here.