



FletcherBuilding

**Notice of
Annual Shareholders'
Meeting 2008**

12 November 2008 at 10.00 am

Notice is hereby given that the annual meeting of shareholders of Fletcher Building Limited will be held at the Langham Hotel, 83 Symonds Street, Auckland, New Zealand, on Wednesday, 12 November 2008 commencing at 10.00 am.

Notice of meeting

This notice constitutes the notice of meeting for the 2008 annual shareholders' meeting of Fletcher Building Limited (ARBN 096 046 936). You are encouraged to read this notice and the instructions on the Voting Form carefully.

Casting your vote

You may cast your vote in one of three ways:

1. Personal attendance

If you wish you can attend the annual meeting and vote. You should bring the Voting Form with you to the meeting as voting will be by way of a poll; or

2. Postal vote

If you wish to make a postal vote, you should complete the Voting Form and return it to the share registrar by 10.00 am on 10 November 2008; or

3. Appoint a proxy to vote

Alternatively, you may appoint a proxy to attend the meeting and vote on your behalf. To do this, you should complete the Voting Form, including the proxy appointment and return it to the share registrar by 10.00 am on 10 November 2008.

If you do not plan to attend the meeting you should complete the Voting Form and return it as soon as possible.

Important dates

All times are given in New Zealand time unless otherwise specified.

5.00 pm 7 November 2008

Record date for voting entitlements for the annual meeting

10.00 am 10 November 2008

Latest time for receipt of postal votes and proxy forms

10.00 am 12 November 2008

Annual meeting of shareholders

Webcast of meeting

A live webcast of the meeting will be available on the Fletcher Building website (www.fletcherbuilding.com) from 10.00 am, Wednesday 12 November 2008.

Business

Shareholders will be asked to consider, and if thought appropriate, pass the following ordinary resolutions.

Re-election of Directors

1. That Roderick Sheldon Deane be re-elected as a director of the company.
2. That Geoffrey James McGrath be re-elected as a director of the company.
3. That John Frederick Judge be elected as a director of the company.

Biographical details of each director offering themselves for appointment are contained in the explanatory notes accompanying this Notice of Meeting.

Auditor's Remuneration

4. That the directors be authorised to fix the remuneration of KPMG as auditor for the ensuing year.

Chief Executive Officer's participation in the Executive Long-Term Share Scheme

5. That approval be given for the participation of Jonathan Peter Ling, Chief Executive Officer and Managing Director, in the company's Executive Long-Term Share Scheme on the terms set out in the explanatory notes accompanying this Notice of Meeting and including the provision of financial assistance to Mr Ling by the company, or a subsidiary of the company, by way of an interest free loan.

Further details are contained in the explanatory notes accompanying this Notice of Meeting.

Explanatory notes

Resolutions 1 to 3: Appointment of Directors

Pursuant to clause 28.5 of the constitution of the company, one-third of the directors, or if their number is not a multiple of three, then the number nearest to one-third, must retire from office at the annual meeting of the company each year. In addition, the Listing Rules of ASX Limited require each director to stand for re-election at least every three years. Accordingly, Dr Deane and Mr McGrath, being the directors who have been longest in office since they were last elected, retire by rotation. Each of them is eligible and offers themselves for re-election.

In addition, Mr Judge was appointed by the board during the year and must offer himself for election at this meeting.

All three directors standing for appointment do so with the full support of the board.

Set out below is a biographical background of those directors standing for appointment.



Roderick Sheldon Deane

PhD, BCom (Hons), FACA, FCIS, FNZIM, Honorary LL.D, Independent Chairman of Directors, Chairman of the Nominations Committee.

Dr Deane, 67, has had a broadly based career in business, the executive branch of government, and central banking. He is currently

Chairman of Fletcher Building, Fletcher Building Finance, the New Zealand Seed Fund, and the IHC Foundation. Dr Deane is a director of Woolworths and a member of the Advisory Board of Pacific Road Corporate Finance, both of which are headquartered in Australia. He is Patron of New Zealand's largest voluntary welfare organization, IHC Inc. He is a Distinguished Fellow of the NZ Association of Economists and the Centre for Independent Studies in Australia.



Geoffrey James McGrath

MIIE, Independent Non-Executive Director, Member of the Remuneration and Nominations Committees.

Mr McGrath, 66, has had extensive management experience in the Australian building products industry, including 10 years as the

managing director of GWA International, a manufacturer and marketer of consumer and building products. Mr McGrath retired as managing director of that company in 2003. He is a director of GWA International and Fletcher Building Finance, and chairman of the Australian listed company, Campbell Brothers.



John Frederick Judge

BCom, IMD, Independent Non-Executive Director, Member of the Audit and Nominations Committees.

Mr Judge, 54, has considerable experience in Australasian business and brings further financial and analytical knowledge to the board. His highly successful career includes

various roles within Ernst & Young culminating in the position of Chief Executive of Ernst & Young New Zealand. He retired from that role in 2007. He is Chairman of the Museum of New Zealand Te Papa Tongarewa and a member of both the Auckland and Otago University Business Schools' advisory boards.

Resolution 4: Auditor's Remuneration

KPMG is the existing auditor of the company and has indicated its willingness to continue in office. Pursuant to section 200(1) of the Companies Act 1993, KPMG is automatically reappointed at the annual meeting as auditor of the company. The proposed resolution is to authorise the directors to fix the auditor's remuneration for the following year for the purposes of section 197 of the Companies Act 1993.

Resolution 5: Chief Executive Officer's participation in the Executive Long-Term Share Scheme

Shareholder approval is being sought for the participation by Mr Ling in the company's Executive Long-Term Share Scheme (the "Long-Term Scheme") on the terms and conditions set out in this explanatory note. This includes approval for the provision of financial assistance by the company, or a subsidiary of the company, to Mr Ling by way of an interest free loan.

At the 2006 annual shareholders' meeting following Mr Ling's appointment as a director, shareholder approval was sought and obtained for the provision of long term incentive arrangements to Mr Ling comprising:

- his continued participation in the company's Executive Performance Share Scheme (the "Performance Scheme"); and
- the grant of options to acquire shares.

The Performance Scheme was introduced by the company with effect from 1 October 2004. As a senior executive of the company, Mr Ling has been a participant in the Performance Scheme since its inception participating on the same overall terms as other executives. The board has determined that a replacement scheme (the Long-Term Scheme) be established for senior executives of the company and that the Performance Scheme be amended. With effect from 1 October 2008, a number of senior executives of the company, including Mr. Ling, will move from the Performance Scheme and participate in the Long-Term Scheme, while the remaining executives in the

Performance Scheme will continue to participate in that scheme as amended for one further year before also moving to the Long-Term Scheme.

The Long-Term Scheme differs from the Performance Scheme as approved at the 2006 annual shareholders' meeting in two key respects:

- A performance measure used in both the original Performance Scheme and in the Long-Term Scheme is Total Shareholder Return (TSR) measured at the end of a three year period. If at the end of the three year restrictive period for the Long-Term Scheme, the TSR performance target has not been met in full, a further one year retesting period may apply. Any retesting of the TSR performance target would take place mid-way through, and at the end of, this one year retesting period. The board has determined that a one year retesting period is appropriate for the TSR performance obligation, given the potential for unfair outcomes with a single determination date with the level of volatility in New Zealand markets relative to the group of mainly ASX listed comparator companies against which share price performance is measured.
- The sole performance measure used in the Performance Scheme is TSR, which measures returns to shareholders through share price movements and dividend payments against a group of comparator companies. While TSR remains the most common performance measure for executive share schemes, there is an increasing trend to use multiple targets – with a combination of TSR and Earnings Per Share (EPS) being the most commonly used option. EPS is an absolute growth performance metric whereby the company's net earnings on a per share basis are assessed against a target previously established by the board. Under the Long-Term Scheme, vesting of up to 50 percent of the shares allocated to a participant will be dependent on achieving the TSR target in the relevant period and vesting of up to the other 50 percent of the shares will be dependent on achieving the EPS target within a three year period. The primary reasons for the adoption of dual performance measures are as follows:
 - EPS is seen as strongly linked to shareholder wealth, as a consistent growth in earnings should lead to dividend growth;
 - EPS growth recognises the importance of underlying earnings even in cyclical industries to generate value for investors;
 - EPS provides a relevant internal performance measure, operating independently of capital markets; and
 - TSR and EPS were the most widely used combination of performance measures based on external benchmarking data.

On the basis that the replacement Long-Term Scheme includes the provision of financial assistance to Mr Ling by way of an interest free loan by the company, or a subsidiary of the company, shareholder approval is required for his participation. The prospectus and investment statement for both the Long-Term and Performance Schemes are registered with the Companies Office of New Zealand and are publicly available. A summary of the main terms of the Long-Term Scheme, which are substantively the same as those of the Performance Scheme approved by shareholders in 2006, other than the additional EPS performance target and the one year TSR retesting period described above, is as follows:

- (a) The Long-Term Scheme enables participants to purchase shares in Fletcher Building at market value with the assistance of an interest free loan. Each year, the trustee of the Long-Term Scheme will acquire Fletcher Building shares on-market and hold such shares on behalf of participants for a minimum three year restrictive period. The price at which such shares will be allocated to a participant will be determined by the volume weighted average market price of the company's shares for the five business day period prior to 1 October in each year. Vesting of the shares in the participants is subject to their continued employment and the achievement of the performance objectives.
 - (i) Vesting of 50 percent of the shares in the participants requires achievement of certain levels of TSR relative to a comparator group of New Zealand and Australian companies over a minimum three year restrictive period, or as may be extended by the one year retesting period.
 - (ii) Vesting of the remaining 50 percent of the shares in the participants requires achievement of certain EPS targets over a three year restrictive period. Each year the board will, in its discretion, set EPS targets (and the methodology to be used for calculating these targets) for the Fletcher Building group as maximum and minimum vesting thresholds for the shares in the EPS tranche. EPS is measured by the Fletcher Building group's net earnings attributable to shareholders for financial reporting purposes, divided by the weighted average number of shares on issue. At the end of the three year restrictive period, the group's actual EPS performance will be measured against the EPS target set by the board using the same methodology determined by the board when setting these targets. The one year retesting period will not apply to the EPS tranche of shares. In respect of the EPS tranche of shares allocated on 1 October 2008, the targets set by the board as the maximum and minimum vesting thresholds are EPS growth of 15 percent and 10 percent, respectively over the year ended 30 June 2008.

- (b) If at the end of the three year restrictive period the TSR performance target has not been met in full, the restrictive period will be extended (either automatically or at the election of the participant, depending on the target level achieved) for a further one year period. If a retesting period applies, it will apply in relation to all the participant's shares in the TSR tranche. During this one year retesting period, the company will assess (mid-way through the period and at the end of the retesting period) the extent to which the TSR performance objective has been achieved. If the TSR performance declines during the retesting period, the participant's entitlements (if any) will be determined on this lower TSR performance result.
- (c) The value of a participant's entitlement and the number of shares to be acquired is determined annually on 1 October. Based on Mr Ling's current base compensation of \$1,260,000, his 80 percent entitlement percentage, the New Zealand 39 percent marginal tax rate, and using the market price of Fletcher Building shares in the pricing period of \$6.94, then 88,599 shares were available for him to acquire under the Long-Term Scheme on 1 October 2008. Accordingly the amount of the loan to Mr Ling on such shares would be \$614,880. Mr Ling's base remuneration and entitlement percentage is set each year by the board and accordingly the amount of financial assistance provided to him may vary from year to year. Details of any shares allocated to Mr Ling under the Long-Term Scheme will be advised to the NZX and ASX and published in the annual report of the company relating to a period in which they have been allocated.
- (d) At the expiry of the three year restrictive period, and, if applicable, on the testing dates during the retesting period, transfer of legal title to some or all shares in the TSR tranche may occur. The extent to which shares are transferred is determined by a sliding scale, with 50 percent of shares vesting if the 51st percentile of the TSR performance of the comparator group is met and 100 percent of shares vesting if the 75th percentile of the TSR Performance is met.
- (e) At the expiry of the three year restrictive period, transfer of legal title to some or all shares in the EPS tranche (i.e. 50 percent of shares allocated to a participant) may occur. Each year the board will, in its discretion, set the minimum and maximum vesting thresholds and the methodology for calculating these thresholds for the EPS tranche offered that year having regard to current circumstances. The extent to which shares in the EPS tranche are transferred will be determined by referencing the Fletcher Building group's actual EPS performance (calculated using the same methodology set by the board) against the EPS targets set as minimum and maximum

vesting thresholds (with 50 percent of shares vesting if the minimum vesting threshold is met and 100 percent of shares vesting if the maximum vesting threshold is met) and by applying a sliding vesting scale between those minimum and maximum vesting thresholds.

- (f) To the extent that either the EPS or TSR performance objectives are met and any conditions on the transfer of shares are satisfied (including continued employment during the relevant period), legal title to the relevant number of Fletcher Building shares will be transferred to the participant and a bonus paid to the participant such that the after-tax amount of that bonus will, unless there has been an increase in the applicable tax rate, equal, or exceed, the outstanding balance of the loan in respect of the shares transferred, taking into account any dividends which have been paid by the company during the restrictive period including any retesting period.
- (g) The restrictive period may terminate early if a participant ceases employment with the Fletcher Building group for a qualifying reason (for example, due to redundancy or sickness), if a takeover offer is made for the company or if the company is a party to a Court approved reorganisation, merger or reconstruction. If such an event occurs, a determination will be made of the extent to which the TSR and EPS performance objectives have been met at the relevant date and the extent to which legal title to the shares will pass to the participant. The board will exercise its discretion with the intention of achieving a fair allocation of shares to a participant based on TSR and EPS performance of the Fletcher Building group as at the relevant date. The bonus entitlements noted in (f) still apply to the shares transferring.
- (h) To the extent that the EPS or TSR performance objectives are not met at the end of the applicable restrictive period, or if a participant ceases to be employed by the Fletcher Building group other than for a qualifying reason, some or all of the shares will be forfeited to the trustee without compensation unless the trustee in its discretion determines otherwise.
- (i) During the restrictive period (including any retesting period) the shares are held by a trustee and may not be sold or used as security for another loan. Participants can direct the trustee how to vote on the shares. Participants are also entitled to the benefits of any dividends, capital returns or other distributions declared by Fletcher Building and to the benefit of any rights issues, bonus issues or other entitlements offered to shareholders. After any adjustment for additional taxation on any such distributions and entitlements, the after-tax value will be withheld by the trustee and applied in part repayment of the loan provided to acquire shares.

Mr Ling is the only director of the company who has previously received shares in the Performance Scheme in his capacity as a director and in his capacity as an employee prior to his appointment as a director. In the four years that the Performance Scheme has operated he has acquired 65,016 Fletcher Building shares at an average acquisition price of \$9.39 per share. Of these shares, 20,906 have vested in Mr Ling, 4,620 shares have been forfeited and 39,490 are currently held by the trustee on Mr Ling's behalf under the restrictive period. It is intended that Mr Ling will now participate in the Long-Term Scheme together with a number of other senior executives of Fletcher Building on the same overall terms and conditions. Mr Ling is the only director participating in the Long-Term Scheme and accordingly is the only person whose participation is required to be approved by shareholders.

Shares will be allocated to Mr Ling at the same time as is the case with other executives, namely 1 October in each year.

In accordance with the NZSX Listing Rules, the company will disregard any votes cast on resolution 5 by Mr Ling or any of his associates, except where any such vote is cast by Mr Ling or one of his associates as proxy for a person who is entitled to vote and Mr Ling or that associate votes in accordance with express instructions to vote for or against a particular resolution on the proxy form.

Procedural notes

1. Voting on all resolutions put before the meeting shall be by poll. Results of the poll will only be available after the conclusion of the meeting, and will be notified on the New Zealand and Australian exchanges. Shareholders can, and are encouraged to, exercise their right to vote by casting a postal vote if they cannot attend the meeting in person. Any other matters validly raised at the meeting for consideration by shareholders will, if required, be resolved by voting by poll.
2. The Voting Form allows you to vote either for or against the resolutions notified in the Notice of Meeting. If you complete these boxes, and sign the Voting Form and return it to the share registry, this will constitute a postal vote. If you wish to have a proxy to attend the meeting and vote as they see fit, you should mark the box entitled PROXY DISCRETION.
3. It is possible that matters not notified in the Notice of Meeting may be raised for consideration at the meeting. While these matters cannot by virtue of section 109 of the New Zealand Companies Act 1993 be binding on the company, you may wish to nominate a proxy to vote on matters so raised. To do so, mark the relevant box on the Voting Form, and identify the proxy holder in the space provided. You may nominate the Chairman or any other director as your proxy if you so wish. Unless a proxy holder is identified, and you have confirmed that you want that person to have the discretion to vote on any matter on your behalf, your Voting Form will be treated as an abstention on the matter.
4. The persons who will be entitled to vote on the resolutions at this annual shareholders' meeting are those persons who will be the shareholders of the company at 5.00 pm on Friday, 7 November 2008.
5. To assist shareholders wishing to exercise their voting rights at this annual shareholders' meeting, whether in person, by proxy or by post, the Voting Form and shareholder attendance card accompanying this Notice of Meeting have been personalised with individual shareholder details.

The Voting Form shows your current shareholding. If, at 5.00 pm on Friday, 7 November 2008, your shareholding is different from that shown on the Voting Form, you can update the entitlement on arrival at the meeting.
6. All shareholders entitled to attend and vote at this annual shareholders' meeting are entitled to appoint a proxy to attend and vote for them in their place. The proxy need not be a shareholder of the company. The enclosed Voting Form also provides for the appointment of a proxy, and, if used, must be lodged at the office of the share registry, Computershare Investor Services Limited, before 10.00 am on 10 November 2008.

The addresses for the share registries are:

New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Auckland, New Zealand

Australia

Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne
VIC 3001
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067
Australia

- 7. All items of business are ordinary resolutions and are required to be passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.
- 8. The company secretary, Martin Farrell, has been authorised by the board to receive and count postal votes at the meeting.

By order of the board, Auckland, New Zealand.



Martin Farrell

Company Secretary
14 October 2008