

1. ROLE OF THE BOARD

The role of the board is to provide overall strategic guidance to Fletcher Building (the “Company”) and effective oversight of management for the purposes of protecting and enhancing the value of the Company’s assets in the interests of the Company. The board has statutory responsibility for the affairs and activities of the Company, which in practice is achieved through delegation to the chief executive officer who is charged with the day-to-day leadership and management of the Company. This charter sets out the duties and responsibilities of the board, as well as the membership and operation of the board.

2. CONSTITUTION AND MEMBERSHIP

2.1 The Constitution provides that the number of directors must at any time be no more than nine and no less than three and at least two directors must ordinarily be resident in New Zealand. Subject to these limitations, the number of Directors to hold office will be fixed from time to time by the board.

2.2 The company’s policy is that the term of appointment of a director shall be six years from the date on which he or she is first appointed at a meeting of shareholders. However, as shareholders ultimately determine the composition of the board, this can be a statement of intent only, and subject to the decisions made by shareholders. All directors shall offer their resignation at the conclusion of their six-year term. The board may however agree to offer a director a further term of up to three years.

2.3 The constitution provides that the board will elect a chairman, and determine the period for which he / she will hold office. The chairman must be an independent director.

2.4 The Company’s policy is that the board must consist of a majority of independent directors. Again, however, as shareholders ultimately determine the composition of the board this can be a statement of intent only, and subject to the decisions made by shareholders. The board will assess the independence of directors at least annually. The factors that the board will consider in whether a director is independent are set out in Schedule A to this charter. Any director who has a change in relevant circumstance to any of the factors listed in Schedule A must immediately notify the chairman of that change so that their independence can be re-assessed.

2.5 The company secretary shall be secretary of the board. The company secretary is accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board. Each director is able to communicate directly with the company secretary and vice versa. The company secretary shall keep minutes of board meetings that accurately reflect the board discussion.

2.6 Directors are required to hold, or through associated persons have a beneficial interest in 20,000 ordinary shares in the Company by the time of the annual meeting of shareholders at which they are first subject to re-election.

3. DUTIES AND RESPONSIBILITIES OF THE BOARD

3.1 The board is responsible for the governance, proper direction and control of the activities of the Company and its subsidiaries. The board’s responsibilities include:

- (a) review and approval of the Company’s long term corporate strategy, with particular regard to portfolio composition and return expectations and review of performance against strategic objectives;

- (b) approval of the Company's annual financial budget and review of corporate performance against budget;
- (c) appointing and removing the chief executive officer and ratifying the appointment and removal of the chief executive officer's direct reports;
- (d) evaluating annually the performance of the chief executive officer and the chief executive officer's direct reports;
- (e) overseeing and reviewing the company's audit, risk management and compliance systems to protect the company's assets and minimise the possibility of the company operating beyond legal requirements or beyond acceptable risk parameters;
- (f) overseeing and reviewing the company's health and safety framework and strategy; and
- (g) review and approval of the Company's governance procedures, including the delegation of authority to the chief executive officer.

3.2 The board seeks to ensure that new directors are appropriately introduced to the company and all directors are acquainted with relevant industry knowledge and economics. This includes visits to specific company operations when appropriate and briefings from key executives and industry experts. In addition, the company seeks to provide ongoing relevant professional development and continuous improvement programmes from time to time to the board.

3.3 The board has established committees to assist it in carrying out its responsibilities. Current standing committees established by the board are audit and risk, nominations, remuneration and sustainability, environment, health and safety. The board has adopted committee charters that set out the purpose, duties and responsibilities of each committee. Committee chairmen and members are appointed by the board. Reports and other papers of board committees are available to all directors.

3.4 The chairman is responsible for fostering a constructive governance culture and applying appropriate governance principles among directors and with management. The chairman's role includes promoting cooperation and leading informed debate and decision-making by the board.

4. DELEGATIONS TO MANAGEMENT

4.1 The board has delegated to the chief executive officer the authority to manage the business and affairs of the Company, and to sub-delegate to other levels of management, subject to certain limitations and qualifications.

4.2 The board has specified that it receive reports / plans in respect of:

- (a) long range vision and portfolio composition;
- (b) financial standards, policies and plans;
- (c) organisational structure / succession planning / management capability / remuneration;
- (d) capital expenditure budget and major capital expenditure initiatives;
- (e) corporate performance against budgetary goals and competitor performance; and

(f) legislation / compliance review.

4.3 Directors are free to discuss business matters with management with the prior knowledge of the chairman and chief executive officer, but are expected to respect the distinction between board and management responsibilities.

5. AUTHORITY

5.1 The board's authority is derived from, and subject to, the Company's constitution. The Board is required to comply with the NZX and ASX Listing Rules and all other applicable laws and regulations. Directors are also subject to the Company's Code of Conduct.

5.2 A director may, with the approval of the chairman, obtain independent professional advice and engage such advisors or consultants as they consider necessary to carry out their functions as a director.

6. PROCEDURE

6.1 The chairman, with the assistance of the chief executive officer, establishes the agenda for each board meeting. Each director is able to suggest the inclusion of items on the agenda.

6.2 The agenda and supporting papers are to be delivered to directors by the company secretary at least seven days in advance of meetings for items that require a specific board decision or a non-routine resolution to be passed. Presentations at board meetings should summarise the material sent to directors so that discussion is focused on the issues requiring board determination.

6.3 Such persons, as are necessary for the functioning of the board, shall attend board meetings at the chairman's request. The board encourages the chief executive officer to bring employees to board meetings who can provide additional insight into the items being discussed because of personal involvement in these matters, including employees whose future potential the chief executive officer believes should be given exposure to the board.

7. ANNUAL PERFORMANCE EVALUATION

7.1 The chairman shall review, at least annually, the performance of the board, the board committees and individual directors and report his or her findings to the board. The method of review to be adopted will be determined by the chairman each year with advice from the nominations committee and may include one on one interviews, questionnaires and/or independent external review. The Chairman collates the feedback and reports to the board on matters arising.

7.2 The review of the performance of the Chairman is through the requirement for the directors to elect the chairman at the end of his or her tenure. Such review should be undertaken against the terms of reference for the chairman. The chairman should exclude himself/herself from the meeting during such review.

7.3 The board will annually, and as part of its performance evaluation consider a skills matrix that sets out the mix of skills and diversity that the board is looking to achieve in its membership so as to help identify any gaps that exist and which can then be addressed in board succession planning and, as required, as part of the Company's professional development initiatives.

8. FIDUCIARY REQUIREMENTS

- 8.1 Directors must act honestly and in good faith in what the director believes to be the best interests of the company. Directors must ensure that all shareholders and classes of equity security holders are treated fairly according to their different rights. Directors must carry out their duties in a lawful manner and use reasonable endeavours to ensure that the company conducts its business in accordance with the law and with a high standard of commercial integrity.
- 8.2 Directors should avoid conflicts of interest so far as is possible. Where a conflict or potential conflict arises, as a minimum they must adhere scrupulously to the procedures provided by law and by the constitution of the company for dealing with conflicts and with the position of directors having an interest in a particular contract or issue. A director who has a continuing conflict of interest of a material nature should consider resignation as a director of the company if that conflict significantly impacts on his or her ability to make a meaningful contribution to the board.
- 8.3 Directors should be diligent, attend board meetings and devote sufficient time to make and keep themselves familiar with the nature of the company's business and the environments, including political, legal and social, in which it operates. Directors should be aware of all statutory and regulatory requirements affecting the company including the content of its constitution and, where applicable, the requirements of bodies such as the NZX and ASX and see that such requirements are observed.
- 8.4 Directors must observe the confidentiality of non-public information acquired by them as directors and not disclose it to any other person without the authority of the board.
- 8.5 A director who is nominated by, or has a special allegiance to, a particular shareholder or group of shareholders or other stakeholder, may only disclose confidential information to the nominating shareholder or other stakeholder with the authority of the board and in strict compliance with any procedures prescribed by law or the constitution of the company.
- 8.6 Directors should not engage in short-term trading in the company's shares or securities. The company has a Securities Trading Policy, which covers the buying and selling of shares or securities in the company by directors or their relatives or associates. Directors must notify the board, through advice to the company secretary, in advance of any intended transaction involving shares or securities in the company by them or their relatives or associates in which the director has a relevant interest as defined by the Financial Markets Conduct Act 2013.
- 8.7 Directors must act in accordance with their fiduciary duties and exercise any powers for a proper purpose. They should comply with the spirit as well as the letter of the law mindful that in addition to purely legal requirements the proper discharge of the duties of a director requires high ethical and moral standards of behaviour.
- 8.8 Directors must meet regularly to monitor and control the performance of management. Directors must ensure that appropriate reporting systems are in place and maintained to provide accurate and timely information to the board, and that adequate systems of control are in place. Directors are responsible for approving and monitoring certain matters that are specifically reserved for board approval or decision-making.
- 8.9 There is a clearly accepted division of responsibilities at the head of the Company to ensure a balance of power and authority and that no one individual has unfettered powers of decision. To ensure this operates effectively the full contribution of all directors is required through active, objective and constructive participation at meetings of the board and of board committees.
- 8.10 Directors are expected to assist in representing the company in external forums.

- 8.11 The principal role of non-executive directors is to provide independent judgement and outside experience and objectivity, not subordinated to operational considerations, on all issues which come before the board.
- 8.12 Non-executive directors should acquire and maintain a sufficiently detailed knowledge of the company's business activities and on-going performance to enable them to make informed decisions on the issues before the board. At the same time they should recognise the division between the board and management and ordinarily not become involved in management issues or in managing the implementation of board policy.
- 8.13 Executive directors have a dual role as employees of the company and as directors. As directors they have responsibilities additional to, and must retain a degree of independence from, their executive position to enable them to carry out those responsibilities effectively. Executive directors should be appointed as individuals and not because of any position they hold. They must always be alert to the potential for conflicts between their management interests and the fiduciary duties of a director.

Approved by a resolution of the board passed on 16 April 2015.

SCHEDULE A: INDEPENDENCE OF DIRECTORS

An independent director is one who the board affirmatively determines is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the Company and its security holders generally.

In determining whether or not a director is independent, the board should have regard to whether the director:

- (a) is, or has been, employed in an executive capacity by the Company or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the board;
- (b) is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company or any of its subsidiaries;
- (c) is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the company or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- (d) is a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial security holder of the Company;
- (e) has close family ties with any person who falls within any of the categories describe above; or
- (f) has been a director of the Company for such a period that his or her independence may have been compromised.

Materiality should be considered from the perspective of both the Company and its directors. No quantitative materiality thresholds for independence have been adopted by the board as it is considered more appropriate to determine independence on a case by case basis.