AUDITOR INDEPENDENCE POLICY

In the delivery of an audit service, the quality of opinion is paramount.

Markets must be able to rely on all aspects of the quality of the audit. One of the issues that arises in relation to the delivery of an audit service is independence; the absence of any conflicts of interest. In particular, the question of whether the auditor should be able to provide other services to Fletcher Building is relevant in this context.

Our auditor independence policy is designed to ensure that, by undertaking non-audit services, our auditor will not have a mutual or conflicting interest, audit their own work, function as management, act as an advocate for Fletcher Building, or have their independence impaired or perceived to be impaired.

NEED TO KNOW

- Fletcher Building's auditor is required to abide by the independence regulations set out in the code of Ethics on Independence issued by International Federation of Accountants (IFAC).
- The Audit and Risk Committee must approve the appointment of Fletcher Building's auditor to provide any non-audit services to the company or its subsidiaries.
- Fletcher Building's auditor is required to maintain its independence and report in writing to the Audit and Risk Committee on a six-monthly basis on matters pertaining to their independence.
- Fletcher Building's auditor will be required to rotate their lead audit partner every five years and other key audit partners every seven years.

This policy applies to: All Fletcher Building Personnel directly engage with the Company's auditor or not.

EXPLANATORY AND GUIDANCE NOTES

Fletcher Building Personnel

Fletcher Building Personnel includes all directors, executives and employees of Fletcher Building Limited and its subsidiaries.

IFAC's code of Ethics on Independence

Fletcher Building's auditor is required to abide by the independence regulations set out in the code of Ethics on Independence issued by IFAC.

The Board, through the Audit and Risk Committee, has determined this policy in accordance with the regulations issued and adopted by IFAC in 2001 which has since been updated in 2018. The Institute of Chartered Accountants in New Zealand (ICANZ) first issued independence guidance in 2003 based on the IFAC regulations and in December 2018 the New Zealand Auditing and Assurance Standards Board of the External Reporting Board issued a revision, again based on the IFAC regulations. The policy also reflects NZX and ASX listing rules.

The IFAC framework is based around the consideration of the various types of threats to independence and the safeguards, if any, that can be put in place to mitigate the threats. There is an acknowledgement that (1) some non-audit services will impair independence; (2) if appropriate safeguards are not applied some non-audit services could impair independence; and (3) other non-audit services do not impact upon independence.

The compromises to objectivity and independence, where they are considered to exist, require appropriate safeguards to eliminate or reduce the compromise to an acceptable level, which may include declining to perform the service. The compromising situations identified by IFAC are:

- self–interest, including the auditor benefiting by having a financial interest in Fletcher Building, potential employment or contingent fees;
- self–review, including auditing their own work and preparing material source financial data;
- advocacy, including being a promoter of Fletcher Building's shares or acting as a legal advocate;
- familiarity or trust, including family relationships and long association of senior team members; and
- intimidation, including fee pressures and threat of replacement.

The IFAC code of ethics has provisions covering the employment of audit team members by the company and puts the onus on the auditor to protect against their independence being challenged by such employment events. In keeping with the recommendation of ICANZ no standard stand-down period is prescribed. Each situation involving a transferring employee or partner will be assessed to ensure audit independence is not compromised.

Approval for non-audit services

The Audit and Risk Committee must approve the appointment of Fletcher Building's auditor to provide any non-audit services to the company or its subsidiaries. Where such approval is required of the Audit and Risk Committee, the Chair of the Committee is delegated to provide such approval, provided that the approval is subsequently reported to the Committee. The Audit and Risk Committee may approve delegations to management, subject to financial limits and reporting to the Committee.

Approved services

The following non-audit services are approved by the Audit & Risk Committee, subject to the level of aggregate non-audit fees paid to the company's auditor over a rolling 3-year annualised basis not exceeding 50% of the group audit fee.

- review of interim financial results of the Fletcher Building group as at 31 December;
- provision of general accounting advice (where engagement for services value is less than $20,000);
- provision of general taxation compliance and advisory services (where the value of the engagement for services is less than $20,000); and
- attendance at the annual shareholders' meeting.

Non-approved services

The Audit and Risk Committee will not approve the use of the auditor as non-audit service providers for the following:

- provision of taxation advice which is, or is potentially, material to the group financial statements;
- provision of M&A advice and / or due diligence services for significant acquisitions and divestments unless there are compelling advantages in using the audit firm;
- provision of outsourced internal audit services;
- provision of design and / or implementation services, including quality assurance services, for significant IT systems;
- provision of valuation services that would have a material effect on the group financial statements;
- provision of corporate secretarial, bookkeeping or payroll services; and
- provision of legal advocacy services.

Auditor independence reporting

The Auditors six monthly report to the Audit and Risk Committee will include:

- all relationships that may impact on independence, including but not limited to:
    - the provision of non-audit services;
    - financial relationships; and
    - employment relationships
- any other matters that may reasonably be thought to have a bearing on the auditor independence; and
- the auditor's independence having regard to their firm's policies, and the IFAC and New Zealand rules regarding auditor independence.

Auditor rotation

The Lead audit engagement partner, who has ultimate responsibility for the audit engagement of the consolidated group, is required to rotate every five years with a minimum cooling-off period of five consecutive years. Other key audit partners, considered to be making key decisions or judgments on matters significant to the audit, are required to rotate every seven years with a minimum cooling-off period of three consecutive years.

Questions on this policy? If you do not understand any part of this Policy, or how it applies to you, you should raise the matter with the Group General Manager Finance and Performance or the CFO Corporate.

Printing this policy: All our official policies are updated electronically and available on Matrix so before relying on a printed copy please check you have the latest version.