



NOTICE OF ANNUAL SHAREHOLDERS' MEETING 2012

Tuesday 20 November 2012 at 10.30 am

Notice is hereby given that the annual meeting of shareholders of Fletcher Building Limited will be held in the Level 4 Lounge, Corporate Entry G, South Stand, Eden Park, Reimers Avenue, Mt Eden, Auckland, New Zealand, on Tuesday, 20 November 2012 commencing at 10.30 am.

See inside back cover for venue map.

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Notice of meeting

This notice constitutes the notice of meeting for the 2012 annual shareholders' meeting of Fletcher Building Limited (ARBN 096 046 936) (Fletcher Building or the company). 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. Voting will be by way of a show of hands or poll, at the discretion of the chairman. You must bring the Voting Form with you to the meeting in case voting is held 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 10.30 am on 18 November 2012. If you are unable to attend the meeting, you are encouraged to lodge a postal vote. On a show of hands, each shareholder who has cast a postal vote is counted as if they are present at the meeting; 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 10.30 am on 18 November 2012.

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

Business

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

Re-election of directors

1. That Alan Trevor Jackson be re-elected as a director of the company.
2. That Gene Thomas Tilbrook be re-elected as a director of the company.
3. That Kathryn Diane Spargo be elected as a director of the company.
4. That Mark Duncan Adamson be elected as a director of the company.

Biographical details of each director offering themselves for election or re-election are contained in Explanatory note 1 accompanying this Notice of Meeting.

Auditor's remuneration

5. That the directors be authorised to fix the remuneration of KPMG as auditor for the ensuing year. Further details are contained in Explanatory note 2 accompanying this Notice of Meeting.

Important dates

16 November 2012	5.00 pm Record date for voting entitlements for the annual meeting
18 November 2012	10.30 am Latest time for receipt of postal votes and proxy forms
20 November 2012	10.30 am Annual meeting of shareholders

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

Chief executive officer's participation in option and share schemes

6. That approval be given for the issue to Mark Duncan Adamson, chief executive officer and managing director, of up to 1,000,000 options to acquire ordinary shares in the company under the 2012 Share Options Plan on the terms set out in Explanatory note 3 accompanying this Notice of Meeting.
7. That approval be given for the provision of financial assistance to Mark Duncan Adamson, chief executive officer and managing director, by the company or a subsidiary of the company by way of an interest free loan, in connection with his participation in the company's Executive Long-Term Share Scheme on the terms set out in Explanatory note 4 accompanying this Notice of Meeting.

Voting exclusions

In accordance with the Listing Rules of the NZSX and ASX, the company will disregard any votes cast on resolutions 6 and 7 by Mark Duncan Adamson (being the only director who is eligible to participate in any employee incentive scheme or share scheme in relation to the company) and any of his associates, unless the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Explanatory notes

Explanatory note 1: Appointment of directors

Pursuant to clause 28.5 of the constitution of the company and NZSX listing rule 3.3.11, 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 the ASX require each director to stand for re-election at least every three years.

Accordingly, Mr Jackson and Mr Tilbrook, being those 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.

Kathryn Spargo and Mark Adamson were appointed by the board during the year and must offer themselves for election at this meeting.

All four directors standing for election or re-election do so with the full support of the board.

Set out below is a biographical background of those directors.



Alan Trevor Jackson

BEng (Hons), PhD (Auckland)
MBA (IMD Management
Institute)

*Independent Non-Executive
Director*

*Chairman of the Remuneration
Committee and member of the
Nominations Committee*

*First appointed 1 September
2009*

Dr Alan Jackson, 59, was
Chairman Australasia,

Senior Vice President and Director of The Boston Consulting Group until 2009. He has been an international management consultant since 1987 with The Boston Consulting Group and has proven experience at the most senior levels of international and government business. Dr Jackson has worked across a range of industries including resources, diversified industrials, building products and construction sectors. He is a Fellow of the Institution of Professional Engineers. Dr Jackson is chairman of Housing New Zealand Corporation and New Zealand Racing Board, a director of Fletcher Building Industries and a trustee of The ICEHOUSE Auckland.



Gene Thomas Tilbrook

BSc, MBA (University of Western Australia)

Independent Non-Executive Director

Member of the Audit and Risk and Nominations Committees

First appointed 1 September 2009

Gene Tilbrook, 61, was finance director at Wesfarmers Limited until his retirement in May 2009. He led Wesfarmers'

business development group, becoming executive director, business development in 2002 and finance director in 2005. Mr Tilbrook is chairman of Transpacific Industries Group and a director of Fletcher Building Industries, QR National and the GPT Group. He is a councillor of Curtin University of Technology and the Australian Institute of Company Directors (Western Australia).



Kathryn Diane Spargo

LLB (Hons), BA

Independent Non-Executive Director

Member of the Audit and Risk and Nominations Committees

First appointed 1 March 2012

Kathryn Spargo, 61, has extensive business experience from advisory roles on strategic and governance issues following a career in legal practice in both the public and private sectors.

She has a number of non-executive directorships, including ASX listed companies, UGL and Sonic Healthcare, and of SMEC and Investec Bank (Australia). Ms Spargo also serves as a director on a number of not-for-profit businesses. She is currently the chair of the Australian Accounting Professional and Ethical Standards Board and is a member of the International Ethics Standards Boards for Accountants and a fellow of the Australian Institute of Company Directors.



Mark Duncan Adamson

B.A. (Hons), ACA, ATII

Non-independent Executive Director

Appointed 17 June 2012 with effect from 1 October 2012

Mark Adamson, 46, was appointed chief executive officer and managing director of the company with effect from 1 October 2012. He joined the Formica Group in 1998 as chief financial officer of the European division followed by

the role of managing director UK and Eire and in 2004 became president of Formica Europe. Mr Adamson became the chief executive of Formica Corporation in 2008 and of the Laminates & Panels division in 2011. Prior to joining Formica he was financial controller of the pharmaceutical company GlaxoSmithKline. Mr Adamson is a member of the English Institute of Chartered Accountants and the Institute of Taxation and became a director of Fletcher Building Industries on 1 October 2012.

Explanatory note 2: 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.

The board unanimously recommends that shareholders vote in favour of Resolution 5.

Explanatory note 3: Remuneration of the chief executive officer through participation in share option scheme

At the time of appointing Mark Duncan Adamson as chief executive officer and managing director in June, the company committed to provide, subject to shareholder approval, appropriate long term incentive arrangements. This was to ensure Mr Adamson was rewarded and incentivised in a manner that aligns his interests with those of shareholders. It was decided that Mr Adamson's total remuneration package would comprise:

- (a) base remuneration of \$1,500,000;
- (b) a short term incentive, if specified annual performance targets are satisfied, of up to 100 percent of his base remuneration;
- (c) the grant of up to 1,000,000 options to acquire shares in the company; and
- (d) his participation in the company's Executive Long-Term Share Scheme, which facilitates the acquisition of shares in the company provided certain performance criteria are met. The value of his entitlement to shares in the company pursuant to the Executive Long-Term Share Scheme, is intended to have a potential value of a further 100 percent of his base remuneration (see explanatory note 4).

The directors are satisfied, having received independent advice, that this constitutes an appropriate remuneration package for the role of chief executive officer and managing director.

Shareholder approval of the two components of Mr Adamson's long-term incentive is sought by resolutions 6 and 7. In the event that either of these resolutions is not approved by shareholders, the company is contractually committed to provide other remuneration to Mr Adamson at least commensurate with that expected to arise under the long term incentive.

Shareholder approval is therefore being sought for the issue of up to 1,000,000 options under the 2012 Share Options Plan (the 'Options Plan') to Mr Adamson, as part of his total remuneration package as chief executive officer and managing director of the company. Each option will give Mr Adamson the right to purchase one ordinary share in the company, subject to the terms of the Options Plan as set out below.

The terms of the options to be granted under the Options Plan are:

- (a) Subject to shareholder approval being obtained, 500,000 options shall be issued to Mr Adamson as soon as practicable after the date of the annual shareholders' meeting. A further issue of up to 500,000 options may be made to Mr Adamson at the discretion of the board during the period from 1 October 2015 to 20 November 2015.
- (b) Each option shall be issued for no cash consideration at an exercise price for the initial grant of \$6.22, being the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding the announcement of Mr Adamson's appointment on 18 June 2012. The exercise price for any additional options issued shall be the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding the date these options are issued.

- (c) The exercise price shall be adjusted annually, with effect from the date of grant, by the company's cost of capital, less any dividends actually paid.
- (d) There will be a restrictive period of three years from the date of grant during which the options may not be exercised. For these purposes, the date of the grant for the initial 500,000 options will be deemed to be 1 October 2012, being the date of Mr Adamson's appointment.
- (e) Subject to the company's rules on the trading of securities, options may be exercised at any time between the third and sixth anniversary of the date of grant.
- (f) The options are not transferable without the company's consent and do not carry voting rights. They do not give Mr Adamson any entitlement to dividends or distributions, except that if additional Fletcher Building shares are issued by way of a bonus issue to shareholders or if there is a rights issue of Fletcher Building shares, the exercise price of the options or the number of underlying shares over which the options can be exercised shall be adjusted in accordance with the NZSX and ASX Listing Rules to reflect the economic effect of any such bonus or rights issue.
- (g) If there is a reduction, consolidation or subdivision of the capital of Fletcher Building, the number of options and/or the exercise price of the options will be adjusted in accordance with the NZSX and ASX Listing Rules to reflect the economic effect of the change in the capital structure.
- (h) In the event of termination of Mr Adamson's employment by reason of redundancy, sickness, accident or death at any time prior to the expiry of the sixth anniversary of the date of grant, any options which have not been exercised become immediately exercisable by Mr Adamson or his executor, as the case may be, within 30 days of the termination of his employment.
- (i) If Mr Adamson's employment ceases for any other reason prior to the third anniversary of the date of grant, all options outstanding immediately lapse.
- (j) In the event of a change of control of Fletcher Building, where any person obtains control of 50 percent or more of the shares in the company, all options which have been granted shall become unrestricted and exercisable on completion of the change of control and thereafter shall be exercisable until the sixth anniversary of the date of grant.

ASX Listing Rule 10.15A requires this Notice of Meeting to include the following additional information in relation to the proposed issue of the options to Mr Adamson under the Options Plan. While it has been the company's practice to provide share options to each of its chief executive officers, no options have previously been granted under this Options Plan to directors of the company. Mr Adamson is currently the only director entitled to participate in the Options Plan. Any directors who become entitled to participate in the Options Plan after Resolution 6 is approved who are not named in this Notice of Meeting will not participate in any issue of options under the Options Plan until approval is obtained under ASX Listing Rule 10.14.

Details of any options issued under the Options Plan in each year will be published in the annual report of the company for that year, together with a statement confirming that shareholder approval has been obtained for the issue of those options under ASX Listing Rule 10.14.

No loan will be provided by the company to Mr Adamson to fund the grant or exercise the options.

The Board (other than Mr Adamson) unanimously recommends that shareholders vote in favour of Resolution 6.

In accordance with the requirements of NZSX Listing Rule 6.2.2, an appraisal report on the proposal to grant to Mr Adamson up to 1,000,000 options to acquire shares in the company has been prepared by Simmons Corporate Finance Limited ("Simmons"). Simmons has reviewed the terms of the proposed grant of options to Mr Adamson and has concluded the proposal is fair to those Fletcher Building shareholders who do not participate in the Options Plan. A summary of the Simmons appraisal report is included with this Notice of Meeting (see page 16) along with a letter from PricewaterhouseCoopers (see page 22) confirming that the remuneration structure for Mr Adamson is appropriate and represents reasonable remuneration for a chief executive officer of a business the size, complexity and nature of Fletcher Building.

A copy of the full appraisal report is available by writing to The Company Secretary, Fletcher Building Limited, Private Bag 92114, Auckland 1142.

Explanatory note 4: Provision of financial assistance under the Executive Long-Term Share Scheme

Shareholder approval is being sought for the provision of financial assistance to Mr Adamson in connection with his appointment as chief executive officer and managing director, by the company or a subsidiary of the company by way of an interest free loan in connection with his participation in the Fletcher Building Limited Executive Long-Term Share Scheme (the 'ELSS') on the terms and conditions set out in this explanatory note.

The ELSS was introduced by the company with effect from 1 October 2008 and details of the scheme have been reported in the corporate governance section of the company's annual reports and in the corporate governance section on the company's website (www.fletcherbuilding.com) since that time. Shares are offered under the ELSS pursuant to a prospectus and investment statement registered with the Companies Office and approved by NZX dated 15 October 2008 and as amended on 28 September 2011. The ELSS seeks to align the long term interests of the most senior executives in the Fletcher Building group with those of shareholders.

As a senior executive of the company, Mr Adamson has been a participant in the Executive Long-Term Incentive Scheme since its inception. This scheme is separate from the ELSS and is a cash-based incentive scheme designed to deliver the same economic value as the ELSS for those executives in overseas jurisdictions where it is not practical for the company to offer share schemes. It is intended that, as from 1 October 2012, Mr Adamson will cease to participate in future issues under the Executive Long-Term Incentive Scheme and will instead, subject to approval of shareholders, participate in the ELSS on the same overall terms and conditions as other participating executives. Given Mr Adamson's appointment as a director, shareholder approval is required for him to be provided with financial assistance under the ELSS.

The ELSS is a cash-based long-term scheme as, to the extent any performance targets are met, the company will pay a cash bonus to facilitate the acquisition of a number of shares in the company.

The key terms and conditions of the ELSS are:

- (a) It enables participants to acquire shares in the company at market value with the assistance of an interest free loan. These shares are purchased on-market by a trustee on behalf of participants. Vesting of the shares in the participants is subject to their continued employment and the achievement of the following performance objectives.

- Vesting of 50 percent of the shares in the participants requires achievement of certain levels of total shareholder return (TSR) relative to a comparator group of New Zealand and Australian companies over a minimum 3 year restrictive period. 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.
 - Vesting of the remaining 50 percent of the shares in the participants requires achievement of certain earnings per share (EPS) targets over a 3 year restrictive period.
- (b) 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), 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 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.

Mr Adamson has not previously received shares in Fletcher Building under the ELSS (in his capacity as an employee of the company prior to being appointed a director), but has instead participated in the Executive Long-Term Incentive Scheme which is designed to deliver the same economic benefit as the ELSS. He has previously applied net cash bonuses from that incentive scheme to acquire 84,500 Fletcher Building shares at an average acquisition price of \$7.22 per share.

The board (other than Mr Adamson) unanimously recommends that shareholders vote in favour of resolution 7.

NZX has granted Fletcher Building a waiver from NZSX Listing Rule 7.6.6(a) in respect of resolution 7, such that if resolution 7 is approved by shareholders, the company will not be restricted by that Rule's 36 month time limit within which the financial assistance is required to be provided to Mr Adamson. As a result of this waiver the financial assistance may continue to be provided to Mr Adamson during the time that he participates in the ELSS, which may be beyond 36 months.

Procedural notes

1. Voting on all resolutions put before the meeting shall be by a show of hands or poll at the discretion of the chairman of the meeting. Results of the voting will be available after the conclusion of the meeting, and will be notified on the New Zealand and Australian stock 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. On a show of hands, each shareholder who has cast a postal vote is counted as if they were present at the meeting. Any other matters validly raised at the meeting for consideration by shareholders will, if required, be resolved by voting by poll or on a show of hands, as determined by the chairman.
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 for receipt by 10.30 am on 18 November 2012, 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 and return it to the share registry for receipt by 10:30 am on 18 November 2012. If you appoint a director as your proxy, then any undirected proxies granted to the director will be voted in favour of the relevant resolutions, except in the case of resolutions 6 and 7 where Mr Adamson will not vote other than in accordance with the appointing shareholder's express direction.
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, 16 November 2012.
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.

6. The Voting Form shows your current shareholding. If, at 5.00 pm on Friday, 16 November 2012, your shareholding is different from that shown on the Voting Form, you can update the entitlement on arrival at the meeting.
7. 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 10.30 am, 18 November 2012.

The addresses for the share registries are:

New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622, New Zealand

Australia

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

8. 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.
9. 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
15 October 2012

Summary of Appraisal Report

In Respect of the Grant of up to 1,000,000 Options to the Chief Executive Officer and Managing Director
October 2012

This is a summary of the full Appraisal Report provided under NZSX Listing Rule 1.7.3.

Readers are recommended to view the full Appraisal Report which contains our detailed overview of the Options Grant, our detailed evaluation of the fairness of the Options Grant and full statement of disclaimer, indemnity, qualifications and expertise, independence, declarations and consents.

Simmons Corporate Finance Limited confirms that this summary of the full Appraisal Report is accurate and not misleading to the shareholders of Fletcher Building Limited.

A copy of the full Appraisal Report is available by writing to the Company Secretary, Fletcher Building Limited, Private Bag 92114, Auckland 1142.

1. Introduction

1.1 Chief Executive Officer Remuneration

Fletcher Building Limited (**Fletcher Building** or the **Company**) announced on 18 June 2012 that it had appointed Mark Adamson to the role of Chief Executive Officer and Managing Director of Fletcher Building.

Mr Adamson commenced in the role on 1 October 2012.

Mr Adamson and Fletcher Building entered into an individual employment agreement dated 18 June 2012 (the **Employment Agreement**). Mr Adamson's remuneration consists of a mixture of base remuneration plus short term and long term incentive remuneration.

Details of Mr Adamson's remuneration package are set out in Explanatory Note 3 of the notice of annual meeting.

The remuneration package will be reviewed on 1 October annually.

1.2 Options Grant

Subject to shareholder approval, the Company will grant up to 1,000,000 options to Mr Adamson (the **Options**) as part of his long term incentive remuneration.

The Options will be granted in 2 tranches of 500,000 Options per tranche, 3 years apart (the **Options Grant**). The grant of

the second tranche of Options is subject to the approval of the Company's board of directors (the **Board**).

The terms of the Options are set out in Explanatory Note 3 of the notice of annual meeting.

1.3 Regulatory Requirements

Listing Rule 7.3.1 of the NZSX Listing Rules states that no Issuer shall issue any Equity Securities unless the precise terms and conditions of the specific proposal to issue those Equity Securities have been approved by a resolution (passed by a simple majority of votes) of holders of each Class of Quoted Equity Securities of the Issuer whose rights or entitlements could be affected by that issue.

NZSX Listing Rule 6.2.2(b) requires an Appraisal Report to be prepared where a meeting will consider a resolution where more than 50% of the securities to be issued will be acquired by directors of the Issuer.

Listing Rule 10.14 of the ASX Listing Rules states that an entity must not permit a director of the entity to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition.

ASX Listing Rule 10.14 also requires that the notice of meeting to obtain approval must comply with ASX Listing Rule 10.15A which mandates a number of disclosures such as the maximum number of securities that may be acquired and the formula for calculating the number of securities to be issued.

1.4 Annual Meeting of Shareholders

Shareholders will vote on an ordinary resolution in respect of the Options Grant at Fletcher Building's annual meeting of shareholders on 20 November 2012 (resolution 6).

Only the Company's shareholders not associated with Mr Adamson (the **Non-associated Shareholders**) may vote on the resolutions.

1.5 Purpose of the Report

The directors of Fletcher Building not associated with Mr Adamson (the **Non-associated Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Appraisal Report on the fairness of the Options Grant in accordance with NZSX Listing Rule 6.2.2(b).

This is a summary of the full Appraisal Report.

Simmons Corporate Finance issues this summary of the full Appraisal Report to the Non-associated Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the resolution in respect of the Options Grant.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the fairness of the Options Grant in relation to each shareholder. This summary

report on the fairness of the Options Grant is therefore necessarily general in nature.

The Appraisal Report and this summary are not to be used for any other purpose without our prior written consent.

2. Evaluation of the Fairness of the Options Grant

2.1 Basis of Evaluation

NZSX Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the Options Grant are fair to the Non-associated Shareholders.

We have evaluated the fairness of the Options Grant by reference to:

- the rationale for the Options Grant
- the value of the Options Grant to Mr Adamson
- the terms and conditions of the Options Grant
- the impact of the Options Grant on shareholding levels
- the impact of the Options Grant on Fletcher Building's share price.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Opinion on the Fairness of the Options Grant

In our opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the Options Grant are fair to the Non-associated Shareholders.

In summary, the key factors leading to our opinion are:

- the rationale for the Options Grant is sound. The Options seek to provide a long term equity incentive to Mr Adamson which aligns his interests with those of the Non-associated Shareholders and aids in his retention
- the Options Grant is designed so that the Options are granted *at the money* (ie the exercise price is the current share price) and the exercise price is adjusted annually by the Company's cost of capital less actual dividends paid. Accordingly, Fletcher Building's share price will need to increase each year by at least the Company's cost of capital less actual dividends paid in order for Mr Adamson to derive any financial benefit from the Options Grant
- the Options are subject to a 3 year restrictive period where they cannot be exercised. The Options can only be exercised in the subsequent 3 year period between the third and sixth anniversary of the date of grant, thus providing a long term incentive and potentially aiding in the retention of Mr Adamson

- the Options cannot be transferred or disposed of by Mr Adamson without the Company's prior written consent
- the Options lapse immediately if Mr Adamson's employment ceases due to his resignation or dismissal by the Company
- we assess the value of the initial tranche of 500,000 Options to be in the range of \$313,000 to \$398,500 as at 1 October 2012 (the deemed grant date), which equates to approximately \$104,000 to \$133,000 per annum over the 3 year restrictive period prior to when the Options can be exercised
- the overall remuneration level for Mr Adamson appears to be reasonable
- the allotment of shares on the exercise of the Options will have negligible impact on shareholder voting control
- the potential dilutionary impact of the Options Grant on Non-associated Shareholders is negligible at 0.15%
- the Options Grant is unlikely to have any impact on Fletcher Building's share price or the liquidity of its shares
- if the resolution in respect of the Options Grant is not approved, then the Board is contractually committed to provide an alternative long term incentive for Mr Adamson having the same target value. The Board may elect for Mr Adamson to participate in the Executive Long-Term Incentive Scheme, which is a similar long term incentive scheme to the Executive Long-Term Share Scheme except that it is a cash-based incentive scheme. Alternatively, the Company may pay Mr Adamson a bonus equal to the value of the Options Grant and Mr Adamson will be required to use the bonus to invest in Fletcher Building shares by way of an on-market purchase (taking into account relevant insider trading legislative requirements).

3. Sources of Information, Disclaimer and Indemnity

3.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of annual meeting
- the Employment Agreement
- the PricewaterhouseCoopers report entitled *2012 Chief Executive Officer Remuneration Review* dated May 2012 prepared for Fletcher Building
- the Fletcher Building 2012 annual report
- share price data and shareholder data from NZX Data.

3.2 Disclaimer

We have prepared this report with care and diligence and the

statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

3.3 Indemnity

Fletcher Building has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Fletcher Building has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

4. Qualifications and Expertise, Independence, Declarations and Consents

4.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

4.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Fletcher Building or Mr Adamson or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to this transaction.

Simmons Corporate Finance has not had any part in the formulation of the Options Grant or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Options Grant. We will receive no other benefit from the preparation of this report.

4.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for their comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

4.4 Consents

We consent to the issuing of this summary report in the form and context in which it is to be included in the notice of annual meeting to be sent to Fletcher Building shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director
Simmons Corporate Finance Limited
15 October 2012



Private & Confidential

Mr Ralph Waters
Chairman
Fletcher Building Limited
810 Great South Road
Penrose
Auckland 1061
New Zealand

Dear Mr Waters

Chief Executive Officer's participation in option and share schemes

As requested, we have provided this letter to assist with the consideration of the proposed equity arrangements to be entered into for the new Fletcher Building Limited ("Fletcher Building") Chief Executive Officer and Managing Director ("CEO").

We note the details of the proposed equity arrangements, including the grant of options under the 2012 Share Options Plan (the "Options Plan") and participation in the company's Executive Long-Term Share Scheme (the "ELSS") are set out in resolutions 6 & 7 and in explanatory notes 3 & 4 of the Notice of annual shareholders' meeting 2012.

The CEO's remuneration arrangements, including the Options Plan and the ELSS, have been compared to the arrangements for CEOs of Australian and New Zealand companies comparable to Fletcher Building.

Having regard to these comparisons and Fletcher Building's remuneration policy, it is our view that the proposed arrangements including the Options Plan and the ELSS represent reasonable remuneration for the CEO of a business of the size, complexity and nature of Fletcher Building.

Yours sincerely,

Della Conroy

Partner
Melbourne
15 October 2012

Chris Place

Partner
Auckland
15 October 2012

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC
3006, GPO Box 1331, MELBOURNE VIC 3001

Venue car parking and directions



There will be a limited number of car parks available at the South Stand (through car park entrance G, off Reimers Avenue) on a first come, first served basis. Extra parking will be available behind the ASB Stand (via car park entrance B or C, off Walters Road). Please allow for a 5-10 minute walk from there to the new South Stand.

Eden Park is well served by rail and bus services. Kingsland train station is immediately opposite the Park.

For full route, timetable and fare information call:

MAXX Contact Centre on 09 366 6400 or 0800 10 30 80.

For online information go to: maxx.co.nz/timetables

**Fletcher Building
Limited**

fletcherbuilding.com

