United Kingdom

Fletcher Building Limited

FBuShare Plan

Employee Tax Summary

This summary is general in nature and is based on the federal income tax laws of the United Kingdom as at 10 February 2017 and United Kingdom taxation obligations in relation to the Fletcher Building Limited Fletcher Building Limited Global Employee Share Plan (**FBuShare** or the **Plan**).

The tax treatment of shares and rights to acquire shares (**Rights**) acquired under the Plan may change from time to time, so it is strongly recommended that you seek your own professional advice in relation to your personal circumstances. Fletcher Building Limited (**Fletcher Building** or the **Company**), its subsidiaries and advisors will not be held responsible for employees who rely on the advice provided in this employee tax summary.

This summary assumes that you are an employee of Fletcher Building (or its subsidiaries) and that you are, and remain, a resident of the United Kingdom for tax purposes from the commencement of your participation in the Plan to the eventual sale of any shares acquired under the Plan.

This advice is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments.

February 2017

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1. FBuShare plan summary

Under the Plan, you will be provided with the opportunity to contribute after-tax salary to purchase Company shares at market value (**Purchased Shares**); and, for shares purchased by you, Fletcher Building will grant you Rights to a number of free Fletcher Building shares (**Award Shares**). Subject to meeting the award conditions at the end of the Qualification Period (**Vesting**), your Rights to Awards Share will Vest and you will generally receive one Award Share for every two Purchased Shares held at the end of the Qualification Period.

As a Fletcher Building shareholder, you will have full voting rights and receive any dividends on the Purchased Shares during the time the shares are held by the Plan nominee. You are required to participate in the Dividend Programme in respect of the dividends you receive. Under the Dividend Programme, the dividends you receive, net of any New Zealand (or Australian) withholding tax paid on the dividends, will be used to acquire shares (**Dividend Shares**). Dividend Shares also have full voting rights and dividends, and provide you with the opportunity to receive Award Shares if the appropriate Award conditions are satisfied.

Under the Plan, the Purchased Shares, Award Shares and Dividend Shares will be held in the Plan, on your behalf, by the Plan nominee company.

2. Tax summary

A. Purchased Shares

Your tax obligations in respect of your Purchased Shares may be summarised as follows. Detailed tax considerations are in section 3 of this summary.

Event	Tax treatment for employees
Acquisition	You will not be subject to tax at the time you acquire the Purchased Shares.
Sale	Capital gains tax (**CGT**) will apply on the net sale proceeds less the cost of acquisition.

B. Award Shares

Your tax obligations in respect of your Award Shares may be summarised as follows:

Event	Tax treatment
Grant of Rights to Award Shares	There are no tax implications for you.
Allocation of Award Shares	As you acquire the shares for nil cost, income tax and NICs are due on (normally) the fair market value of the shares at Vesting.
Sale	CGT will apply on the net sale proceeds less the cost of acquisition. The cost of your Award Shares for this purpose is the amount on which you paid income tax when you acquired the shares.

C. Dividend Shares

Your tax obligations in respect of your Dividend Shares may be summarised as follows:

Event	Tax treatment
Dividend paid	The first £5,000 of dividend income received in a tax year will not be subject to UK tax. The dividend income must be added to total income for tax purposes, and the £5,000 allowance is then deducted. The balance of the dividend income is taxed at different rates depending on your level of taxable income – please refer to section 3 for more details.
Sale	CGT will apply on the net sale proceeds less the market value of the shares at acquisition.

3. Detailed tax considerations

A. Purchased Shares

You will not be subject to income tax on acquisition of the Purchased Shares.

Sale of Purchased Shares

You may be subject to CGT on any gain realised when you sell your Purchased Shares, as calculated below:

Net sale proceeds

Less: the cost base of the shares (i.e., the price you have paid to acquire the Purchased Shares).

You will also be allowed deductions for any costs of sale, for example, broker's fees.

You may use any capital losses from the disposal of other assets in the same tax year or from previous years to offset against any capital gain on the sale of your shares. If capital losses are not fully set off against capital gains in the same year, they can be carried forward against future gains. You can also utilise the annual capital gains tax exemption on the first £11,100 (2016/17 tax year) of chargeable gains, although note that this applies to all capital gains in any one tax year.

For gains made from 6 April 2016 onwards, capital gains tax on shares will be charged at 10% or 20% tax rates for individuals. For basic rate taxpayers, the tax rate used depends on your total amount of taxable income from all sources (employment, savings etc.), with the capital gain taxed as the top slice of income. For higher rate taxpayers, the rate of capital gains tax is 20%.

Where the net sale proceeds received on sale is less than the cost base for the shares, a capital loss is realised.

B. Award Shares

You will not be subject to tax when you receive your Rights to Award Shares upon the acquisition of Purchased Shares and Dividend Shares.

Vesting

You will normally[1] be taxed on the fair market value of the shares at vesting. The income is taxed at your marginal tax rate.

In the 2016/17 tax year, taxable income up to £32,000 is subject to income tax at a rate of 20% and income between £32,001 and £150,000 is subject to a rate of 40%. Annual income in excess of £150,000 is subject to a rate of 45% (this was reduced from 50% from 2013/14 onwards).

The personal allowance (£11,000 for 2016/17) is also limited for those whose annual income exceeds £100,000. The effect being that the personal allowance for these individuals will be reduced by £1 for every £2 of income above £100,000.

[1] Technically taxation occurs at the date you acquire your beneficial interest in the share. In most cases where shares are transferred as soon as practical following the date of vesting, the HM Revenue & Customs should accept the date of vesting to be the date of the taxable event.

In addition, your Award Shares will also be subject to employee's NIC on the same amount subject to income tax at the rate of 12% on annual earnings between £8,060 and £43,000 (2016/17 rate) and at the rate of 2% on earnings above £43,000. As per the Plan rules, the company will sell some of your shares to satisfy any tax and NIC liabilities, before any Award Shares are issued or transferred to you.

The income tax and NIC due on vesting of the Award Shares will be collected via the PAYE system. If you have any outstanding tax in excess of the amount paid via the PAYE system, you may be able to arrange for HMRC to collect this via your PAYE code. If this option is not available, or you already complete a tax return, you will have to report the acquisition of the shares via a self-assessment tax return for the tax year in which you acquired the Award Shares. The due date for the payment of any tax due via self-assessment will be 31 January following the end of the tax year. HMRC will be able to advise what steps you should take.

You will normally need the following information to complete the relevant pages on your tax return:

- Date your Rights to Award Share vested and shares were allocated;
- The price you paid for your Award Share (nil in this case);
- The number of Award Share(s) you acquire on Vesting;
- The market value of Fletcher Building shares on the date your Rights to Award Shares vested; and
- The UK pound/Australian dollar exchange rate at the date your Rights to Award Shares vested.

Sale of Award Shares

When you sell your Award Shares, you may be subject to capital gains tax, which is calculated as follows:

Net sale proceeds

Less: fair market value of the shares at vesting.

You will also be allowed deductions for any costs of sale, for example, broker's fees.

You may use any capital losses from the disposal of other assets in the same tax year or from previous years to offset against any capital gain on the sale of your shares. If capital losses are not fully set off against capital gains in the same year, they can be carried forward against future gains. You can also utilise the annual capital gains tax exemption on the first £11,000 (2016/17 tax year) of chargeable gains, although note that this applies to all capital gains in any one tax year.

For gains made from 6 April 2016 onwards, capital gains tax on shares will be charged at 10% or 20% tax rates for individuals. For basic rate taxpayers, the tax rate used depends on your total amount of taxable income from all sources (employment, savings etc.), with the capital gain taxed as the top slice of income. For higher rate taxpayers, the rate of capital gains tax is 20%.

C. Dividend Shares

You will be entitled to receive any dividends paid on your Purchased Shares.

You are required to participate in the Dividend Programme to acquire Dividend Shares. Even though your dividends are paid in the form of Dividend Shares, you may have a tax liability at the time the dividends are paid / Dividend Shares allocated.

The first £5,000 of dividend income is tax free. To calculate the tax due, your dividend income is added to your other income. The first £5,000 is taxed at 0%. The tax rate for the balance above £5,000 depends on the tax band into which the income falls, as follows:

- 7.5% for dividend income within your basic rate band
- 32.5% for dividend income within your higher rate band
- 38.1% for dividend income taxable at the additional rate band

"Dividend income" means the actual dividend received – the concept of a non-repayable withholding tax credit no longer applies. Any New Zealand (or Australian) withholding tax that is paid can (subject to limitations) be credited against your UK income tax liability.

If you sell your Dividend Shares, the CGT may be payable on any gain realised (as set out for the Purchased Shares above)

Net sale proceeds

Less: any costs of sale and the adjusted cost base of the shares (i.e., the price you have paid to acquire the Purchased Shares).

4. Your Reporting Obligations

You may have to report the vesting of Award Shares and sale of the shares (i.e., Purchased Shares, Award Shares and Dividend Shares) to HM Revenue & Customs ("HMRC") via a self-assessment tax return. Self-assessment affects all individuals who receive an annual return form from HMRC, or who receive a new benefit or new source of income. If you do not currently complete a return, HMRC can advise on whether a return is needed.

If you need to complete a tax return, you must report the taxable income arising from the acquisition of your Award Shares in your self-assessment tax return for the year in which the Award Shares allocation. Likewise, you must also include any capital gain in your self-assessment tax return for the tax year in which you dispose of your shares if any capital gains tax is due or if your disposal proceeds (whether CGT is due or not) are more than four times the CGT exemption of £11,000 (2016/17 tax year).

You must file your self-assessment tax return by 31 January following the end of the tax year if filing online, or 31 October if making a paper return.

Any outstanding income tax (in excess of that already paid through the PAYE system) must also be paid by 31 January following the end of the relevant UK tax year (6 April – 5 April) together with any CGT.

5. Employer Withholding Obligations

Any income tax and NIC due on employment income must be withheld by your employing company and paid to HMRC through the PAYE system normally within 14 days following the end of the tax month in which you realise the taxable income.

Your employer must account for any tax and NIC due regardless of whether it has sufficient funds from you to do this. As noted, the Board therefore reserves the right to sell a sufficient number of shares following the allocation of your Shares to settle any tax liability.

6. Employer Reporting Obligations

The UK employer is required to report taxable income arising from the allocation of the Award Shares to HMRC through the normal payroll procedures.

7. Taxation Illustration

The table below provides an example that illustrates the calculation of income tax and CGT as outlined in this summary. It does not provide any indication or assurance of the possible or likely share price. All figures and dates below are assumed; dividends and Dividend Shares have been disregarded for the purposes of this illustration. Different results may apply depending on the figures used and the timing of sale of shares. Your tax adviser will be able to advise you further.

Year 1:	You commence contributions to acquire Fletcher Building Shares and are allocated Purchased Shares on a monthly basis. You acquire 300 Purchased Shares at an average cost of £3.80 (based on the UK£/A$ exchange rates on the date of purchase) that are held under nominee on your behalf. The cost base of the Purchased Shares is £1,140 (the total amount of contributions made during the year). You are granted 150 rights to receive Award Shares.
Year 4:	At the beginning of the fourth Plan Year, all your Rights to Award Shares 'vest' and Award Shares are allocated to you when the market value of a Fletcher Building share is £4.40.
Year 5:	After holding the Award Shares for more than 12 months you sell your 450 Fletcher Building shares (i.e., 300 Purchased Shares and 150 Award Shares) for **£4.60** per share. Assume that there are no brokerage and associated sale costs. Let's also assume that your taxable income level is **£31,000.**

The table below provides a detailed breakdown of the calculation of income tax and CGT.

Event	Tax Treatment (C$)
Year 1 (contributions towards Purchased Shares made)	
£1,140 contributed over the year to obtain 300 Purchased Shares	N/A
Rights to Award Shares granted	
Year 4 (Award Shares allocated)	
Market value of shares (150 x £4.40)	660
Taxable income	660
Tax on income (@20%)	(132)
Year 5 (Purchased Shares and Award Shares are sold)	
Net sale proceeds (450 x £4.60)	2,070
Less: Cost base of Purchased Shares	(1,140)
Less: Cost base of Award Shares (income reported in Year 4 for Award Shares)	(660)
Net gain	
Taxable capital gain (Gain less annual exemption – assuming exemption not otherwise utilised)	270
Tax payable (@10%)	0
	0
Summary of transactions	
Net sale proceeds	2070
Less: Tax payable at allocation of Award Shares (Year 4)	(132)
Less: Tax payable upon sale (Year 5)	0
Net proceeds after tax*	1,938

** Not including the cost of the Purchased Shares*