FBuShare - New Zealand - Employee Tax Summary

Fletcher Building Limited

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Contents

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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 Award Shares 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.

The comments in this summary assume that you remain tax resident in New Zealand, working in New Zealand, at all times during the holding period of the awards and the shares. The tax implications for individuals with periods of non-residence and/or periods of service outside New Zealand are complex, and where this applies to you further specific tax advice should be sought.

2. Tax summary

2.1 Purchased Shares

Your tax obligations in respect of your Purchased Shares are 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	New Zealand does not generally tax gains from the sale of shares. An exception to this rule is if you are considered to be a dealer or trader in company stocks, the shares are acquired with the dominant purpose of resale, or if the shares are sold as part of a profit-making scheme or undertaking. In the event that your gain is taxable (e.g., the shares were acquired with a dominant purpose of resale), your taxable gain will be equal to **the sale proceeds less the fair market value** of the shares when initially acquired. If your purpose in acquiring the shares is for investment (e.g., holding the shares for the purpose of deriving dividend income) any increase in the value of the share should not be taxable. You should consult your tax adviser to establish whether the gain from the sale of your shares will be exempt from tax.

2.2 Award Shares

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

Event	Tax treatment
Grant of Rights to Award Shares	There are no tax implications for you.
Allocation of Award Shares	You will be taxed on the quoted fair market value of the shares on the date the shares are allocated to you following the end of the Vesting period, at your marginal tax rate. Fletcher Building is entitled to exercise its discretion to withhold Pay-As- You-Earn ("PAYE") from the taxable value of the Award Shares that vest[1]. Regardless of whether PAYE is withheld from the taxable value of the Award Shares, Fletcher Building is required to report the receipt of this benefit to the New Zealand Inland Revenue ("IRD").
Sale	Award Shares will be subject to taxation on sale on the same basis as the Purchased Shares. That is, gains will only be taxable if you are considered to be a dealer or trader in company stocks, the shares are acquired with the dominant purpose of resale, or if the shares are sold as part of a profit-making scheme or undertaking. In the event that your gain is taxable (e.g., the shares were acquired with a dominant purpose of resale), your taxable gain will be equal to **the sale proceeds less the fair market value** of the shares at vest. You should consult your tax adviser to establish whether the gain from the sale of your shares will be exempt from tax.

[1] Please note that the Plan Rules were updated to incorporate a provision that the Company may elect to withhold tax on Award shares granted to participants in respect of the 2017 and any subsequent offers.

2.3 Dividend Shares

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

Event	Tax treatment for employees
Dividend paid/dividend Shares acquired	You may receive dividends from your Purchased Shares, and you will be required to acquire shares in Fletcher Building with the after-tax dividend received. Dividends received will be subject to New Zealand tax at your marginal tax rates on the gross dividend amount. However, you should receive a credit in your tax return for imputation credits attached to the dividends, and for any resident withholding tax deducted at source from the dividend income. There are circumstances where dividend income will create an obligation to file a tax return. In particular, due to the change in the top marginal tax rate to 39% from 1 April 2021, and with no corresponding change to the RWT rate applying to dividends, a tax liability will arise on dividend receipts if you are deriving more than $180,000 of taxable income in NZ. As a result of the changes to investment income reporting, Fletcher Building will report all dividend income and tax credit information to IRD at the time the dividend is paid.
Sale	Dividend Shares will be subject to taxation on sale on the same basis as the Purchased Shares. That is, gains will only be taxable if you are considered to be a dealer or trader in company stocks, the shares are acquired with the dominant purpose of resale, or if the shares are sold as part of a profitmaking scheme or undertaking. In the event that your gain is taxable (e.g., the shares were acquired with a dominant purpose of resale), your taxable gain will be equal to **the sale proceeds less the fair market value** of the shares when initially acquired. You should consult your tax adviser to establish whether the gain from the sale of your shares will be exempt from tax.

3. Detailed findings and recommendations

3.1 Purchased Shares

No tax is payable upon allocation of your Purchased Shares on the basis that the shares were purchased at market value.

New Zealand does not generally tax gains from the sale of shares (refer to section 2 above).

3.2 Award Shares

You will not be taxed on the grant of Rights to Award Shares. You will be subject to income tax when your Award Shares vest and you are allocated the shares. Your taxable income will be equal to the quoted fair market value of the Fletcher Building shares at vesting less any consideration paid by you (which in respect of the Award Shares is nil).

The income is taxed at your marginal income tax rates applicable in the year of vesting. The top marginal rate as at 1 April 2024 is 39% for income over NZD180,000.

Please note that Fletcher Building has a discretion to withhold PAYE from the taxable value of this award. Whether or not PAYE is withheld, Fletcher Building is required to include the value of the Award Shares in its Employment Information form to the IRD.

New Zealand does not generally tax gains from the sale of shares (refer to section 2 above).

3.3 Dividend Shares

You will be entitled to receive dividends paid on your Purchased Shares and Dividend Shares, although dividends will be reinvested to acquire further Dividend Shares.

You may also receive dividends from your Award Shares (once allocated). If dividends are paid on the shares, including the dividends reinvested to acquire the Dividend Shares; this income will be subject to tax at your marginal tax rates. However, you will receive a credit in your tax return for imputation credits attached to the dividends and for any resident withholding tax deducted at source from the dividend income.

As you are required to participate in the Dividend Programme to acquire Dividend Shares, as noted above, 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.

As a result of the increase in the top marginal tax rate to 39%, if you are earning income over $180,000, since 1 April 2021 a further tax liability arises which will need to be addressed in your income tax return. This is due to the fact that the RWT withholding rate on dividends will remain at 33% rather than shifting to 39% with the income tax rate. New Zealand does not generally tax gains from the sale of shares (refer to section 2 above).

4. Your Reporting Obligations

Fletcher Building is required to report income arising on acquisition of your Award Shares. This should remove the requirement to file an income tax return (in regards to this stream of income) as Inland Revenue now issue automatic assessments and the income will already be reported to them. If you do not receive an automatic assessment you will have a requirement to file an income tax return. If you are issued an automatic assessment, you will be required to review this and ensure it is correct.

Dividend income may also create a requirement to file a tax return in certain circumstances. As a result of the increase in the top marginal tax rate to 39% on 1 April 2021, if you are earning income over $180,000 you will have a further tax liability. This is due to the fact that the RWT withholding rate on dividends has remained at 33% rather than shifting to 39% with the income tax rate. If PAYE is not withheld at the time that the Award Shares are allocated to you, tax is payable upon filing of your tax return. However, if you are a provisional taxpayer, or become one during the relevant year, you will be required to pay tax on a provisional basis (i.e., in three equal instalments across the income year). This may be triggered when the Award Shares are received.

You will become a provisional taxpayer for an income year if your residual income tax ("RIT") for that year exceeds NZ$5,000. You should consult your independent tax adviser for details on how this may affect you.

In addition to being required to pay provisional tax, late payment penalties and/or use-of-money-interest ("UOMI") implications under the provisional tax regime can be significant. If your resulting RIT liability at year end is in excess of NZ$60,000, UOMI may be charged from each instalment date on the deemed underpayment. Your RIT excludes tax on income that has been subject to withholding tax at source such as PAYE tax or withholding tax on interest.

5. Other obligations/tax credit entitlements

Income arising from the acquisition of Award Shares and dividend income will be included within the calculation of your taxable income for the purpose of income tested benefits such as family tax benefits and may affect your entitlement to these benefits. Award Shares and dividend income will also be taken into account when calculating child support and student loan liabilities.

6. Employer Withholding Obligations

Fletcher Building has the discretion to withhold income tax, in the form of PAYE, in respect of your acquisition of Award Shares.

There is no social security tax in New Zealand.

7. Employer Reporting Obligations

As previously stated, Fletcher Building is obliged to include the taxable value of the Award Shares in its payroll reporting to the IRD.

Fletcher Building will also report all dividend income and tax credit information to IRD at the time the dividend is paid.

8. Taxation Illustration

The table below provides an example that illustrates the calculation of income tax 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 NZ$8 that are held under nominee on your behalf. The cost base of the Purchased Shares is NZ$2,400 (i.e., 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 NZ$9.20.
Year 5:	After holding the Award Shares for more than 12 months, you sell all your Fletcher Building shares (i.e., Purchased Shares and Award Shares) for NZ$9.65 per share. Assume that there are no brokerage and associated sale costs. Let's also assume that your taxable income from other sources (e.g., salary or wages) is NZ$80,000.

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

Event	Tax Treatment (NZ$)
Year 1 (contributions towards Purchased Shares made)	
NZ$2,400 contributed over the year to acquire 300 Purchased Shares	N/A
Rights to Award Shares granted	
Year 4 (Award Shares allocated)	
Market value of shares (150 x NZ$9.20)	1,380
Taxable income	1,380
Tax on income (@ 33%)	(455.40)[2]
Year 5 (Purchased Shares and Award Shares are sold)	
Net sale proceeds (450 x NZ$9.65)	4,343
Less: Cost base of Purchased Shares	(2,400)
Less: Cost base of Award Shares (income reported in Year 4 for Award Shares)	(1,380)
Net gain	563
Taxable gain – Assumes shares acquired for investment purposes - no taxable gain	0
Tax payable	0

[2] Please note that this income tax may be withheld by Fletcher Building as PAYE or will be payable on submission of your personal tax return or as provisional tax, depending on your personal status.

Summary of transactions	
Net sale proceeds	4,343.00
Less: Tax payable at allocation of Award Shares (Year 4)	(455.40)
Less: Tax payable upon sale (Year 5)	0
Net proceeds after tax[3]	3,887.60

[3] Not including the cost of the Purchased Shares.

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