



FBUShare - Australia - Employee Tax Summary

Fletcher Building Limited

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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

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	<p>Sale within 12 months: Where Purchased Shares are held for less than 12 months you will be taxed on any capital gain you realise on sale at your marginal tax rate.¹ The capital gain will be your net sale proceeds, less your cost of acquiring the Purchased Shares.</p> <p>Sale after 12 months: Where the Purchased Shares are held for at least 12 months² before sale, only 50% of any capital gain (after deducting any capital losses) you realise will be subject to tax at your marginal tax rate. The capital gain will be your net sale proceeds, less the cost of acquiring the Purchased Shares.</p> <p>Any capital gain or loss realised upon the sale of Purchased Shares should be included in your tax return in the year of sale.</p>

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	<p>If you remain employed with the Company, you will be subject to tax on the market value of your Award Shares on the date they are allocated to you following the end of the Vesting Period, at your marginal tax rate.³ The income should be included in your tax return in the year the Award Shares are allocated to you.</p> <p>If you sell your Award Shares within 30 days of allocation, refer to 'Sale' section below.</p> <p>If you cease employment before you are allocated your Award Shares, special rules apply. Please refer to 'Detailed Tax Considerations' in section 3.</p>
Sale	<p>If you sell the Award Shares within 30 days of allocation:</p> <p>The net sale proceeds received will be included as income and subject to tax at your marginal tax rate.³ The income should be included in your tax return in the year that the Award Shares are sold and no further tax, such as capital gains tax ("CGT") will apply.</p>

¹The top marginal rate for the year ending 30 June 2019 is 47% inclusive of the 2% Medicare levy. An additional Medicare Levy Surcharge of up to 1.5% may also apply where you (and your dependents) do not have the appropriate private hospital cover.

²Does not include the day of acquisition and the day of sale.

³The top marginal rate for the year ending 30 June 2019 is 47% inclusive of the 2% Medicare levy. An additional Medicare Levy Surcharge of up to 1.5% may also apply where you (and your dependents) do not have the appropriate private hospital cover.

Event	Tax treatment
	<p>If you cease employment before you are allocated your Award Shares, special rules apply. Please refer to 'Detailed Tax Considerations' in section 3.</p> <p>If you sell your Award Shares more than 30 days after allocation:</p> <p>You will be taxed on any capital gain realised at your marginal tax rate.³ The capital gain will be your net sale proceeds, less the market value of the Award Shares at the time they were allocated to you.</p> <p>Where the Award Shares are held for at least 12 months before sale, only 50% of the capital gain will be subject to tax after deducting capital losses.</p>

2.3 Dividend Shares

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

Event	Tax treatment for employees
<p>Dividend paid/dividend Shares acquired</p>	<p>You will be taxed on any dividends received at your marginal tax rate³, notwithstanding they are reinvested to acquire Dividend Shares. No additional tax is payable on the acquisition of Dividend Shares on the basis they are acquired at market value.</p> <p>Please see section 3.3 for further detail on the tax treatment</p>
<p>Sale</p>	<p>You will be taxed on any capital gain at your marginal tax rate.³ The capital gain will be your net sale proceeds, less the market value of the Dividend Shares at the time they were acquired.</p> <p>Where the Dividend Shares are held for at least 12 months before sale, only 50% of the capital gain will be subject to tax after deducting capital losses.</p>

3. Detailed findings and recommendations

3.1 Purchased Shares

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

You will be subject to CGT on any gain realised when you sell your Purchased Shares, as calculated below (in an arm's length disposal, such as the ordinary course of trading):

— Net sale proceeds

Less: the cost of acquisition of the Purchased Shares (i.e. the price you paid to acquire the Purchased Shares).

If you have held the Purchased Shares for at least 12 months (not including the days of acquisition and sale), only 50% of the gain (after deducting any available capital losses) will be taxable at your marginal tax rate.⁴

If you sell the Purchased Shares (in an arm's length disposal) for less than your cost at acquisition, you realise a capital loss and will not need to pay CGT. A capital loss may only be used to offset current and future year capital gains.

Any capital gain or loss realised from the sale of your Purchased Shares is required to be reported in your tax return for the year in which the sale occurs.

3.2 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 of Rights to Award Shares

The tax implications when your Rights to Award Shares vest will depend on whether you sell your Award Shares within 30 days of the Award Shares being allocated to you on vest.

If you remain employed with the Company (or one of its subsidiaries) and do not sell your Award Shares within 30 days of being allocated the shares, you will be subject to income tax on the date the Award Shares are acquired (i.e., at the time the Award Shares are allocated to you upon satisfaction of the Award Conditions) at your marginal tax rate⁵.

If you remain employed with the Company (or one of its subsidiaries) and you sell your Award Shares (in an arm's length transaction) within 30 days of the date you acquire the Award Shares, you will be taxed on the net sale proceeds you receive on disposal of the Award Shares (rather than the market value of your Award Shares on the date of acquisition) at your marginal tax rate. In this case, there will be no further tax, such as CGT, payable.

Any income from your Award Shares will need to be reported in your tax return for the year in which the Award Shares are acquired; or, if Awards Shares are sold within 30 days of acquiring them, the year the Award Shares are sold.

— Ceasing employment

If you cease employment with Fletcher Building (or one of its subsidiaries) and you forfeit your Rights to Award Shares being allocated to you in the future, no tax is payable.

If you cease employment with Fletcher Building and retain your Rights to Award Shares (i.e., you are considered a 'Good Leaver'), you will be subject to tax on your Award Shares on the date you cease employment based on the market value of Award Shares on that date (even if your Award Shares are not allocated to you until a later time). However, if you sell your Award Shares within 30

⁴The top marginal rate for the year ending 30 June 2018 is 47% inclusive of the 2% Medicare levy. An additional Medicare Levy Surcharge of up to 1.5% may also apply where you (and your dependents) do not have the appropriate private hospital cover.

⁵ As above.

days of ceasing employment, you will be subject to tax on your net sale proceeds rather than the market value of the Award Shares when you ceased employment in the year.

You should seek specific advice if you cease employment and retain your Rights to Award Shares.

— Sale of Award Shares

If you sell your Award Shares more than 30 days after being allocated the Award Shares (or after 30 days of ceasing employment if you retained your Rights to Award Shares), CGT is payable on any additional gain realised.

If you have held the Award Shares for at least 12 months (not including the days of acquisition and sale), only 50% of the gain (after deducting any available capital losses) will be taxable.

If you sell the Award Shares in an arm's length disposal for less than their market value on the date of acquisition (or on the date you ceased employment, if applicable), then you realise a capital loss and will not need to pay CGT. A capital loss may only be used to offset current and future year capital gains.

Any capital gain or loss realised from the sale of your Award Shares will need to be reported in your tax return for the year in which the sale occurs.

3.3 Dividend Shares

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

If the dividends are franked for Australian tax purposes, you will be required to gross up the dividend for NZ withholding tax (if any) and any franking credits attached to the dividend and include this as income in your tax return. You will be subject to tax at your marginal tax rate⁶, but may be allowed a foreign income tax offset (FITO) equal to the NZ withholding tax and a franking tax offset equal to the franking credits attached to the dividend.

If the dividends are unfranked for Australian tax purposes but have NZ imputation credits attached, you will receive a supplementary dividend to compensate you for NZ withholding tax. The dividend, together with the supplementary dividend, grossed up for NZ withholding tax will be included in income for tax purposes. You will be subject to tax at your marginal tax rate but may be allowed a FITO equal to the NZ withholding tax.

If a dividend is franked for Australian tax purposes and also carries NZ imputation credits, your franking credit will be reduced by the amount of any supplementary dividend.

— Sale of Dividend Shares

You will be subject to CGT on any gain realised when you sell your Dividend Shares in an arm's length disposal, as calculated below:

- Net sale proceeds less the cost of acquisition of the Dividend Shares

If you hold the Dividend Shares for at least 12 months (not including the days of acquisition and sale), only 50% of the gain (after deducting any available capital losses) will be taxable.

If you sell the Dividend Shares for less than their cost at acquisition in an arm's length disposal, then you realise a capital loss and will not need to pay CGT. A capital loss may only be used to offset current and future year capital gains.

Any capital gain or loss realised from the sale of your Dividend Shares will need to be reported in your tax return for the year in which the sale occurs.

⁶The top marginal rate for the year ending 30 June 2018 is 47% inclusive of the 2% Medicare levy. An additional Medicare Levy Surcharge of up to 1.5% may also apply where you (and your dependents) do not have the appropriate private hospital cover.

4. Your Reporting Obligations

Any taxable benefit arising from your shares must be reported in your tax return, due by 31 October following the end of the relevant 30 June tax year (unless you are on a registered Tax Agent's Lodgement Program which may allow for an extension to the normal filing deadline). These reporting obligations include any taxable income arising at the taxing point for the Award Shares, when you sell your shares or when dividends are received on your shares. Dividends must be reported in the year the dividends are paid to you (notwithstanding you receive Dividend Shares rather than a cash payment).

5. Other obligations/tax credit entitlements

Income arising from the acquisition of Award Shares, gains (if any) on the disposal of 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 benefit, and may affect your entitlement to these benefits.

6. Employer Withholding Obligations

Fletcher Building will not be required to withhold tax in respect of any taxable income arising when you acquire your Award Shares, except where your Tax File Number (TFN) or Australian business number (ABN) has not been provided.

7. Employer Reporting Obligations

Fletcher Building will be required to report details of your Award Shares, in the year you acquire the shares (or when you cease employment and do not forfeit your Rights to Award Shares), to the Australian Taxation Office (ATO). You will also receive an employee share scheme (ESS) statement from Fletcher Building following the end of the tax year in which the Award Shares are subject to tax, reporting the estimated taxable value of your Award Shares; to assist you with completion of your tax return.

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 A\$6.30. The cost base of the Purchased Shares is A\$1,890 (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 year under the Plan, all your Rights to Award Shares 'Vest' and Award Shares are allocated to you. The market value of a Fletcher Building share is A\$7.30 on the date of allocation.
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 A\$7.70 per share. Assume that there are no brokerage and associated sale costs. Let's also assume that your marginal rate of income tax is 39% (inclusive of the 2% Medicare levy) and you have no capital losses.

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

Event	Tax Treatment (\$AUD)
Year 1 (contributions towards Purchased Shares made)	
A\$1,890 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 A7.30)	1,095
Taxable income	1,095
Tax on income (@ 39%)	(427.05)
Year 5 (Purchased Shares and Award Shares are sold)	
Net sale proceeds (450 x A\$7.70)	3,465
Less: Cost base of Purchased Shares	(1,890)
Less: Cost base of Award Shares (taxable income reported in Year 4 for Award Shares)	(1,095)
Net gain	480
Taxable capital gain (50%)	240
Tax payable (@39%)	(93.60)

Summary of transactions

Net sale proceeds	3,465
Less: Tax payable at allocation of Award Shares (Year 4)	(427.05)
Less: Tax payable upon sale (Year 5)	(93.60)
Net proceeds after tax ⁷	2,944.35

⁷ Not including the cost of the Purchased Shares.

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