

19 October 2017

Fletcher Building Limited 2017 AGM

Fletcher Building (FBU) will hold its AGM on **Wednesday 25 October 2017 at 10.30am**.
The location is **Auckland War Memorial Museum, Event Centre, Level 3, Auckland Domain**.

It has been a difficult year for Fletchers and we have kept NZSA members informed of our exchanges with the company since the first earnings downgrade was announced in February.

The Chair, Sir Ralph Norris, indicated in a recent media statement that the company has heard NZSA's concerns and he said it will address a number of the matters we have raised, at the upcoming meeting. We look forward to hearing details.

The share price plainly reflects investors' opinion of the company's performance, marking the stock down more harshly than the numbers alone might warrant.

As we have covered the problems at length over the last months we simply note here that there has been NIL return to shareholders in the 2017 year.

Other major points are:

- Over the past ten years the company has raised \$825M in capital and spent \$2.3B on acquisitions, yet both profit and share price are now less than in 2007
- Underlying operating earnings dropped 23 percent for the year ended 30 June 2017
- The results confirmed losses over \$200M in the Construction Division
- Additional \$220M of write-downs from poorly performing Australian acquisitions.

Fletcher Building has materially underperformed vs the NZX 50 Gross Index. Over five years it has delivered a total return of 10.1% pa to shareholders compared to the index return of 17.2% pa. Over three years the total return is 1.2% compared to the index return of 14.0% pa.

The future for Fletcher Building needs to be much better.

NZSA will be voting undirected proxies at this meeting as follows:

RESOLUTION 1 Election of Bruce Hassall

Bruce Hassall (BCom, FCA) was appointed in March and is a member of the Audit and Risk Committee. He is highly qualified and profoundly experienced having been CEO and a senior partner at PwC New Zealand until last year. He will bring plenty of sound experience to the board table and is well suited to chair the Audit Committee. Mr Hassall replaces John Judge, chair of the Audit Committee, who is not standing for re-election. Mr Hassall has not been at Fletchers long enough to have had any responsibility for the procession of bad news announced since February which has its roots prior to his time.

We will vote undirected proxies **IN FAVOUR** of his election.

RESOLUTION 2 Re-election of Cecilia Tarrant as a Director

Cecilia Tarrant has been on the board since 2011 and is currently on the Audit and Risk and other committees. While Ms Tarrant has extensive experience and eminent qualifications, we have concerns over her role as a member of the Audit committee.

The following is taken from the Fletcher Building Annual Report 2017 (p35):

"The purpose of the risk management framework at Fletcher Building is to ensure that the key risks faced are identified, assessed, controlled, monitored and reported so that the company can achieve its objectives and protect its people, customers and reputation. The audit and risk committee of the board is responsible for overseeing the risk management framework and to regularly review the risks of Fletcher Building. As part of that responsibility, the audit and risk committee receives regular reports of the material, emerging and existing key risks, the current and target risk ratings, and the measures in place to mitigate the risks."

It is NZSA's opinion that the Audit and Risk Committee did not succeed in achieving its aims. Accordingly, we believe committee members must be responsible.

Had the chair of the audit committee, John Judge, been standing for re-election we would have voted un-directed proxies against him.

Cecilia Tarrant is the only member of the Audit and Risk committee, indeed of the board, standing for re-election and it is our opinion that her position is no longer tenable.

We will vote undirected proxies **AGAINST** her re-election.

RESOLUTION 3 Auditor's Remuneration

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

Proxies

Note that proxies must be received by **no later than 10.30am on Monday 23 October 2017**.

FBU's meeting is a hybrid one, investors can attend, ask questions and vote online if they wish. Details are in the information pack sent to you by the registry.

Shareholders can appoint a proxy by completing the proxy form and returning it to Computershare by mail or fax. Alternatively, shareholders can elect to lodge their proxy appointment online by visiting www.investorvote.co.nz. Instructions are on your proxy form.

If your shares are managed for you or held in a custodial arrangement, you can call the manager and insist that the shares are voted according to your instructions, or that a proxy is given to NZSA.



NZSA is happy to act as your proxy. If appointing online, NZSA is one of the listed options, just scroll down through the names.

If you have already voted and wish to change your mind, simply vote again. The most recent vote (including in person at the meeting if you decide to attend) is always the one that counts.

The Team at NZSA