

Environment and Society

Fletcher Building is committed to sustainable business practices that help us deliver outstanding building products, construction materials, and services that enhance built environments.

People

An engaged workforce, aligned in a high performance culture, is the foundation for the achievement of Fletcher Building's business strategy. That is why people are at the core of our sustainability thinking.

The group is developing a distinctive employment brand founded on people policies and practices that enhance our ability to attract and retain excellent employees. Our values shape a workplace culture that encourages and supports our people to use their creativity, commitment and energy as individuals, and within teams, to achieve performance excellence.

The group's structured approach to people management focuses on talent identification, attraction and recruitment; leadership and management development; performance assessment; succession planning; diversity management; and benefits and rewards. The implementation of people development programmes is managed regionally, within a group framework of policies and practices.

At 30 June 2009, Fletcher Building employed approximately 16,500 people in workplaces across New Zealand, Australia, the Americas, Asia, Europe and the Pacific Islands. Fletcher Building is the second largest commercial employer in New Zealand and a significant employer in many communities further afield.

As the operations restructured to meet the challenges of the economic climate, about 2,500 people left the business. Where redundancy was necessary, every effort was made to communicate fully with each person, treat them with integrity and respect, and place them in alternative employment.

Health and safety

Fletcher Building aims to have safe, healthy workplaces. The health and safety vision, Zero Harm, is based on the principle that all accidents are preventable. Participation of senior management in programmes, and the investment of significant resources in safety education and training, reinforces the company's strong commitment to health and safety.

The group's Health and Safety Council, chaired by Chief Executive Jonathan Ling, sets strategies, standards and priorities across the group and helps ensure health and safety experience and solutions are shared among the business units. The Council is supported by regional forums in New Zealand, Australia, and the Northern Hemisphere. Business units are required to prepare annual health and safety plans, and safety performance assessments are included in business unit operational reviews.

Awareness is maintained through the Fletcher Building Annual Safety Awards, which were held for the second year to recognise health and safety achievements across the group. A group health and safety conference, Pulse08, brought together over 150 senior managers from all divisions to share their experiences and learnings.

This multi-faceted approach has helped reduce injury rates across the group, with most business units showing consistent improvement. Total Recordable Injury Frequency Rate per million hours (TRIFR) is Fletcher Building's primary performance indicator for safety. "Recordable Injuries" are defined as both lost time and medical treatment injuries. The group's TRIFR this year was 23.41 compared with 27.76 in 2008. The Lost Time Injury Frequency Rate (LTIFR) was 5.31, compared with 5.74 in 2008.

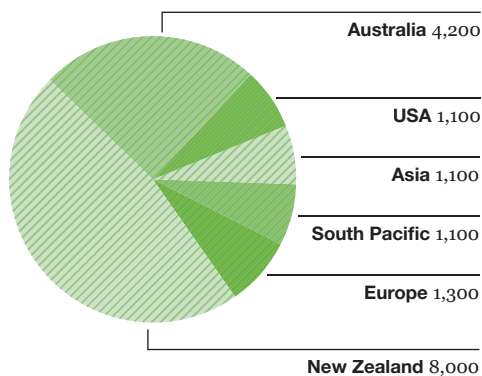
Tragically an employee lost his life on a concrete manufacturing site in Nelson, New Zealand. The group was charged with failing to take all practicable steps to prevent this accident, and a guilty plea was entered as the company accepted that the safety management systems in place at the site failed to detect and prevent an unsafe practice.

Talent identification, attraction and recruitment

Lower economic activity saw a corresponding drop in recruitment numbers in the last year. However, competition for high-calibre candidates in all segments remained strong and the group continued to take an active approach to recruitment and retention of key talent. The in-house recruitment team, and key service providers internationally, assisted us to fill 230 vacancies during the year. The in-house team also facilitated the redeployment and outplacement of redundant employees, delivering cost savings of over \$2 million.



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Hot rods on the road to recycling



Pacific Steel is on the road with recycling, turning hot rods into wire rods. Sims Pacific Metals, a 50/50 joint venture between Fletcher Building and Simsmetal Industries, collects waste metals at centres throughout New Zealand. This includes an estimated 90,000 car bodies annually, as well as the metals from sources ranging from dumped refrigerators and washing machines to decommissioned railway stock and ships. Sims delivers approximately 300,000 tonnes of scrap steel to Pacific Steel each year. This is then processed into 100 percent recycled steel which is manufactured into high-quality reinforcing bar, wire-rods and other wire products. It's the largest recycling operation by weight in New Zealand.



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Leadership and management development

Fletcher Building has developed a group of experienced senior leaders. Forty-seven percent of the company's executives and general managers have at least 15 years' service with the company, while a further 16 percent have at least 10 years' service. This depth of internal company and industry knowledge, combined with the experience of external senior appointees, has created a rich leadership succession pool.

A comprehensive programme of leadership and management assessment education and development is in place for the 300 most senior executives in the group. The programme includes a standard assessment and development process, a mix of challenging work assignments under experienced mentors, in-house development programmes, and external education programmes at leading academic institutions in New Zealand, Australia, the United States and the United Kingdom.

A wide range of education, training and development opportunities is offered throughout the group.

Leadership Foundations – New Zealand

Leadership Foundations is the company's flagship management development programme in New Zealand. Designed for middle managers and functional specialists requiring cross-functional management training, this 11-month programme is delivered in partnership with the University of Auckland Business School. Entry is limited to 24 executives per year, nominated by business units. Graduates are awarded the Postgraduate Diploma in Business from the University of Auckland.

Targeted executive education – United States, United Kingdom, Australia

To address individual development objectives, the group sponsors selected senior executives on executive programmes at the world's leading universities. Since 2001, 34 senior managers have undertaken such programmes.

Inspiring Minds

Inspiring Minds is an executive guest speaker programme that provides fresh perspectives, and encourages debate. The programme is available to general managers and their direct reports, and to alumni of the group's senior leadership development programmes. Workshops are held throughout the year, and guests from other major New Zealand companies are invited to attend and contribute to discussions.

The Transformational Leadership programme

This trans-Tasman programme has been tailored for the group and is offered to General Managers' direct reports who have large employee teams, and who demonstrate potential for advancement. It is designed to foster creativity, innovation and

the ability to manage and measure continuous improvement. The programme is comprised of 11 attendance days in Sydney and Auckland, 14 days on a key business project, and assessments. Twenty executives attended the programme last year.

Learning to Lead

Learning to Lead teaches core leadership skills to new leaders and first-line supervisors. The two Learning to Lead programmes comprise ten one-day classroom modules, with additional assessments and workplace projects. Both programmes are accredited by the New Zealand Qualifications Authority. Fifty new leaders attended the programme in the latest year.

The Meikle Files Super-Black Programme

This trans-Tasman programme rapidly increases individual and business performance and leadership capability through the application of core drivers of high performance to specific business projects. Delivered by Andrew Meikle of Sydney-based consultancy The Meikle Files, the programme is targeted at selected business unit leaders and their key senior managers. Ten executives participated in this programme last year.

Outward Bound Navigator and Catalyst Programmes

These residential Outward Bound corporate programmes, offered to employees with leadership or managerial responsibility, foster leadership through increased self-knowledge. Thirty employees attended the New Zealand Navigator programme year, and ten employees attended the Australian Catalyst programme.

Short courses

In New Zealand and Australia, the company offers a portfolio of two-day courses on topics of general interest to business units. Designed for junior and mid-level line managers, these programmes are delivered in partnership principally with the University of Auckland Business School. Topics in the latest year included Project Management, Strategic Pricing, LEAN Manufacturing, and Finance for non-Financial Managers. More than 1,380 managers attended short courses during the latest year.

The Manager's Toolkit

Designed to increase the group's people management capability, ensure a consistent approach throughout the group and support business unit managers in the development of managers reporting to them, the Manager's Toolkit comprises a series of 30 half-day workshops. These are clustered under four learning categories: Managing Yourself, Managing Others, Managing the Business and Managing Risk. Participants are able to select and combine individual topics from these clusters to address their individual development needs. Six hundred and thirty-four

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employees attended Manager's Toolkit workshops in the last year.

These programmes are augmented in New Zealand and Australia by the Fletcher Building Employee Educational Fund, which in the latest year provided grants amounting to almost \$5 million.

Reward and recognition

Annual remuneration reviews are framed by a general policy of benchmarking total remuneration to the third quartile, with due regard to individual and business performance, market conditions and reward practice in each country of operation. After considering the current economic climate, market conditions and the need to maintain a competitive and sustainable cost base, the company has advised all salaried employees – including senior executives – that there will be no increases to salary arising from the 2009 review in any of the company's operations, worldwide. This policy will also be followed as closely as possible for waged employees, with due regard to contractual obligations associated with collective agreements.

Labour relations

Some 32 percent of Fletcher Building employees belong to labour unions and there are more than 130 collective agreements in place across the group.

The company has a sound labour relations record and relationships based on partnership and mutual respect with labour unions in its businesses.

Employee share ownership

Fletcher Building promotes employee share ownership. As detailed in the corporate governance section of this report, selected senior managers are required to acquire and hold shares in the company as a condition of employment, while a broader group is eligible to participate in a long-term cash-based incentive requiring investment in shares of the company.

Communicating with our people

Fletcher Building communicates with employees through webcast briefings, video-conferences, web chats, meetings, email bulletins, feedback sessions, business unit newsletters and the FBInfo intranet site. The group also publishes FBNews, a quarterly online bulletin that covers items of common interest and business unit news.

Formal employee surveys are also conducted regularly. Our most recent leadership survey polled managers and supervisors about working for Fletcher Building and recorded significantly higher perceptions of success, pride and engagement than benchmark comparable companies.

FairCall, our global free-call employee communication line, enables employees

anonymously to report any matters of concern to management, via a neutral third party.

Equal opportunity and diversity

The company is committed to developing a work environment that promotes business strength through diversity and equal opportunity.

The current workforce is rich in age and ethnicity: more than 30 percent of our employees are aged over 50, and though English is the language of our business at group level, we communicate with our people in seven languages. Women comprise only 19 percent of our global workforce, however, reflecting the historical gender imbalance typical of our sector. This is a challenge and an opportunity in the face of the reduction and ageing of the manufacturing workforce in developed countries.

Work-life balance

The company and its businesses have various initiatives in place to assist employees to balance their home and work lives. These include a confidential personal support service for employees who may experience personal or work-related problems. This is offered at no charge, through specialised providers. New Zealand employees who suffer personal hardship through unexpected misfortune can apply for financial assistance from independent Fletcher Building Welfare Fund.

Environmental sustainability

Fletcher Building is committed to maintaining the long-term viability of each business unit through minimising impacts on the natural environment. This is done through ensuring products and services are designed and applied for better environmental efficiency, minimising waste from products, services and workplaces, and implementing energy-efficient solutions to address climate change.

The group's strategies include the use of recycled materials as raw materials and fuels, the use of renewable energy – particularly biomass – and the introduction of new technologies to provide energy to our industrial processes. The group is also achieving greater energy efficiency through plant and equipment improvements.

An executive-led Climate Change and Environmental Sustainability Council has been established to assist the executive committee and the board to fulfil their responsibilities in relation to these issues. It provides direction and co-ordination to support the group's continuing efforts to reduce its environmental footprint.

The group aims to reduce operating costs by improving energy and resource efficiencies. A target has been set to reduce CO₂ emissions in 2012 to five percent below 2008 levels on a normalised basis. This builds on reductions



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achieved in earlier years through initiatives such as the upgrading of the cement manufacturing plant at Portland. As emissions trading schemes are developed in New Zealand and Australia, it is anticipated that the achievement of this target will offset any additional costs that will be imposed when the schemes are established.

Fletcher Building participated in the Carbon Disclosure Project for the fourth time this year. This requires a complete inventory of all our 2008 CO₂ emissions and a report describing how the company manages the risks and opportunities from future climate change. All NZX50 and ASX100 companies are asked to participate. Our data has been independently verified.

The group's CO₂ inventory is updated every six months, and provisional figures for this financial year show total CO₂ emissions of 1,384,307 tonnes. This includes the CO₂ emitted during the generation of electricity used by Fletcher Building. New Zealand's emissions totalled 801,333 tonnes, while Australia emitted 376,182 tonnes. Of those business units with a high CO₂ output, the largest single emitter was the Golden Bay Cement plant with 585,632 tonnes. The 11 major manufacturing plants for panels and laminates in New Zealand and Australia emitted a total of 223,612 tonnes and manufacturing plants for Fletcher and Tasman Insulation emitted a total of 96,084 tonnes. Pacific Steel and Wire plants emitted 76,052 tonnes.

Fletcher Building is participating in a number of organisations that are leading sustainability practices and policies, including an industry joint venture to develop a single residential rating tool in New Zealand. It has also contributed to a number of important 'green' buildings across Australia and New Zealand.

Across the group, businesses continue identifying further opportunities to reuse waste from operations. Winstone Wallboards, for example, is working with the New Zealand Ministry for the Environment to develop a commercially viable product stewardship scheme for plasterboard construction waste. After successful composting trials with two commercial construction projects, Winstone has rolled out a process for diverting commercial construction plasterboard waste to composting throughout New Zealand.

At Formica's plant in Ohio, a new programme allows more types of paper to be recycled. Formica has partnered with a local business to collect waste paper to be blended into a fibre pulp product that can be used to make cardboard. By monitoring and blending the source material, the recycling company is able to use almost all the paper waste generated at the plant, reducing waste to landfill by approximately 100 cubic metres per day.



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