

2017 UK TAX STRATEGY

Formica UK Group



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- I am pleased to present Formica UK's Tax Strategy in respect of the year ended 30 June 2017. This report complies with the duty to publish a company tax strategy under para 16(2), para 22(1), and para 23(1), Sch 19 FA16.
- Paragraph 23 of the UK Finance Act 2016 sets out the minimum standards on public disclosure of tax information.
- This report provides detail on the following areas:
 - An outline of our Tax Policy, Tax Strategy and Governance policies including;
 - Attitude to risk management and governance arrangements for UK taxation;
 - Our attitude towards tax planning;
 - Our approach to tax risk management;
 - Our approach to dealing with HMRC;
 - A summary of our international related party dealings

This tax strategy applies to the following UK legal entities; Formica Limited, Formica Holdco (UK) Limited, Formica Holdings Limited, Formica Finance Limited, Fletcher Challenge Building UK Limited, Fletcher Challenge Forest Industries Limited, Fletcher Property Developments UK Limited and Fletcher Property Investments UK Limited.

Neil Mason

Chief Financial Officer – Formica Europe

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Tax policy, tax strategy and governance

- Formica UK is committed to the highest standards of behaviour and accountability in respect of compliance with all its statutory obligations, including its tax affairs. Our framework of rules, relationships, systems and processes are designed to ensure that we meet best practice standards of governance. Compliance includes disclosing all relevant details to the tax authorities and claiming tax reliefs and tax incentives where relevant.
- As part of Fletcher Building's (FB) wider group tax policy, Formica UK is committed to responsible business tax management. When undertaking decisions regarding our commercial activities we consider, among other factors, the tax laws of the countries in which we operate. We will not undertake any arrangements that are contrived or artificial.
- As part of the wider parent group we also align to the FB Group Tax Policy. The FB Group Tax Policy defines the risk parameters that Formica UK must operate within. The risk parameters are designed to ensure compliance with relevant tax law, achieve certainty in its reported financial results and manage any reputational risk.
- The FB Group Tax Policy is outlined in the 2017 Tax Transparency Report online and can be viewed at the following web address; <https://fletcherbuilding.com/investor-centre/corporate-governance/>
- The fundamental principle on which the risk parameters are based is that Formica UK will not enter into any business transaction absent commercial rationales solely for the purpose of achieving a tax outcome.
- Where there is significant complexity or uncertainty we seek external advice from our tax advisors.

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Tax policy, tax strategy and governance (continued)

- The FB Group Tax function has been delegated responsibility for managing tax risk within the agreed tax risk parameters. To this end, an internal escalation policy exists for referring matters to FB Group Tax for review and it is FB Group Tax's function to ensure that all its business operations, including Formica UK, comply with the following tax planning principles:
 - interpret the relevant tax laws in a reasonable way, consistent with a relationship of 'co-operative compliance' with HMRC.
 - seek to maintain positive relationships with HMRC, founded on respect for each other's integrity and regular dealings that are open, honest and transparent.
 - work collaboratively with HMRC to achieve early agreement on disputed issues and certainty on a real-time basis, wherever possible, to minimise tax risk.
 - apply relevant tax incentives and exemptions.
 - only engage in tax planning that is aligned with and supports the commercial and economic activities of the business and does not lead to an abusive result.

This tax policy is approved by the Formica Limited leadership team and is overseen by the Board at both a local Formica UK and group level.

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International related party dealings



- Where products are sold/purchased cross border, the transactions are conducted on an arm's length basis in accordance with HMRC transfer pricing rulings and guidance and the laws and rulings of the related party country.
- Formica UK also receives and pays interest on a number of intercompany loans and there are various inter-group charges for services provided by different parts of the FB group.
- Formica UK engages with external tax advisors to ensure that transfer pricing obligations are met.