



# BOARD CHARTER

November 2017

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## 1. Interpretation

1.1. In this Charter:

- “Act” means the Companies Act 1993
- “Board” means the Board of Directors of the Company
- “Business” means the business of the Company
- “Chair” means the Chair of the Board
- “Chief Executive” means the person appointed by the Board to perform the role of Chief Executive of the Company, regardless of the title conferred on that person
- “Company” means Sanford Limited and, where the context requires, includes subsidiaries of Sanford Limited
- “Constitution” means the constitution of the Company adopted on 2 February 2005 and amended on 14 December 2016 as amended from time to time
- “Corporate Secretary” means the person appointed by the Board to perform the role of secretary to the Board
- “Directors” means members of the Board
- “Management Limitations” means the limitations on the actions of Management as set out in Paragraph 24
- “NZX Code” means the NZX Corporate Governance Code 2017
- “Senior Management” means the Chief Executive and the Chief Executive’s direct reports
- “Shareholders” means shareholders of the Company

## 2. Purpose

2.1. This Charter sets out the role, responsibilities and structure of the Board and provides guidance for the effective oversight of the Company by the Board on behalf of its Shareholders, employees and other material stakeholders. It is not an exhaustive document and is intended to be read together with the Constitution and the Company’s other policies. The Constitution is the Company’s primary governance document and, in the event of any conflict, the Constitution will prevail.

## 3. Board Role and Responsibilities

3.1. The role of the Board is to effectively represent and promote the interests of Shareholders with a view to adding long-term value to the Company’s shares. Having regard to its role the Board will direct and monitor the management of, the Business and affairs of the Company including, in particular:

## **Strategy**

- Ensuring that the Company goals are clearly established, and strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from Senior Management).
- Deciding on the steps necessary to protect the Company's financial position and its ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken.
- Establishing policies for strengthening the performance of the Company, including ensuring that Senior Management is pro-actively seeking to build the Business through innovation and initiative, technology, new products and development of its business capital.
- Setting the amount, nature and timing of dividends.

## **Management**

- Appointing and, where appropriate, removing the Chief Executive, approving other Senior Management appointments, planning for Senior Management succession and monitoring the performance of the Chief Executive and Senior Management having regard to the Company's strategic direction and goals.
- Approving employee share schemes and any other executive incentive schemes.

## **Reporting and Disclosure**

- Approving and monitoring the Company's financial statements and other reporting, including reporting to Shareholders and other stakeholders.
- Overseeing the process of making timely and balanced disclosures of all material information concerning the Company that a reasonable person would expect to have a material effect of the price of value of the Company's securities with regard to the requirements of the Company's Continuous Disclosure Policy.
- Ensuring the Company complies or provides an explanation why it is not complying with the disclosure and reporting requirements of the NZX Code including non-financial disclosure considering material exposure to environmental, economic and social sustainability risks.
- Ensuring the integrity of the Company's accounting and corporate reporting systems, including the external audit.

## **Ethical Standards**

- Board Members are expected to observe the highest standards of ethical behaviour. The Board has documented a Code of Ethical Behaviour and a Code of Conduct which set out the expected standards of ethical behaviour to which the Directors and employees of the Company are required to adhere to.
- Board members should, except as permitted by law and disclosed to Shareholders, act in the best interests of the Company, ahead of other interests.
- The Board supports and encourages policies within the Company which require Directors and Employees to observe high standards of personal integrity and display honesty in their dealings.

## **People**

- Approving and monitoring the Company's health and safety system to ensure the safety of the Company's employees, contractors and agents.
- Establishing procedures and systems to promote a culture and remuneration practice within the Company which facilitates the recruitment, professional development and retention of staff.

## **Expenditure**

- Setting specific limits on authority for Senior Management to commit to new expenditure, enter contracts or acquire businesses or assets without specific prior Board approval and approving any transactions above the specified delegated authority limits.
- Approving and monitoring the progress of major capital expenditure, capital management and material acquisitions and divestitures.

## **Risk Management**

- Ensuring the Company has an appropriate risk management framework, risk management/regulatory compliance policies and processes in place and monitors the integrity of the framework, policies and processes.
- Maintaining a risk register which records the likelihood and impact of each risk to the Company, identifies the key risks and notes steps taken to mitigate each risk.

## **4. Relationship between Board and Management**

- 4.1. To enable the effective functioning of the day to day Business of the Company, the Board has delegated to the Chief Executive Officer the authority to manage the Business and affairs of the Company, and to sub-delegate to other levels of Senior Management, certain limitations and qualifications.
- 4.2. The Board maintains a formal set of delegated authorities (including a Treasury Policy) which clearly define the responsibilities that are delegated to Senior Management and those retained by the Board. These delegated authorities are subject to review and approval by the Board on an annual basis.
- 4.3. Communication between Directors and Senior Management should be through the Chief Executive Officer. When Directors seek clarification regarding the information provided to Directors, or seek information about the Company generally, this can be sought directly from Senior Management, but the Chief Executive Officer should also be advised.

## **5. The Board's Relationship with Shareholders**

- 5.1. The Board will use its best endeavours to familiarise itself with issues of concern to all relevant Shareholders. The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the Business or the interests of Shareholders, and if thought appropriate, will take outside expert advice on these matters.

## 6. The Board's Relationship with Stakeholders

- 6.1. The Board will use its best endeavours to familiarise itself with issues of concern to all relevant stakeholders. The Board recognises that the Company's long-term survival and prosperity are closely intertwined with the environments and markets within which it operates to the extent to which the Company is seen as a responsible corporate citizen.

## 7. Board Procedures

- 7.1. The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders. The Board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. The Directors will always act within procedures put in place by the Board on its activities.
- 7.2. Directors will use their best endeavours to attend Board meetings and to prepare thoroughly. Directors are expected to participate fully, frankly and constructively in Board discussions and other activities, and to bring the benefit of their knowledge, skills and ability to the Board table. Directors unable to attend a meeting will advise the Chair at the earliest possible date.
- 7.3. Formal minutes will be taken of each Board meeting and the meeting of each Board Committee. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal or regulatory requirements, the Board will decide the manner and timing of the publication of decisions.
- 7.4. The Board has sole authority over its agenda and exercises this through the Chair. Any Director may, through the Chair, require the addition of an item to the agenda. The agenda for each meeting will be set by the Chair in consultation with the Chief Executive and the Corporate Secretary.
- 7.5. The Board will normally hold at least eleven meetings per year, and otherwise as it considers necessary. The Quorum for Board meetings is three directors, at least two of whom shall be independent Directors, unless determined otherwise by the Directors.
- 7.6. At each normal meeting the Company's interests register will be updated as necessary and the Board will consider:
  - an operational report from the Chief Executive;
  - a report from the Chief Financial Officer;
  - reports from executive management on the activities of the Company's individual business units;
  - specific proposals for capital expenditure and acquisitions in accordance with the Company's delegated authority and capital expenditure policies approved by the Board;
  - major issues and opportunities for the Company; and
  - matters requiring public disclosure.

7.7. The Board will, at intervals of not less than one year:

- review and approve the strategic goals of the Company;
- review the operational plans for achieving the strategic goals of the Company;
- approve the annual budget;
- approve the annual and half-yearly financial statements, associated reports to Shareholders and public announcements;
- approve the Annual Report;
- review disclosure and reporting requirements against the NZX Code;
- consider the Company's dividend policy and, if appropriate, declare or recommend the payment of dividends;
- review the Board composition, structure and succession;
- review the Company's audit requirements;
- review the performance of, necessity for and composition of Board Committees;
- undertake Board and individual Director evaluations;
- review Directors remuneration;
- review the Chief Executive's performance and remuneration;
- review remuneration policies and practices in general, including superannuation and incentive schemes for Senior Management;
- review risk assessment policies and controls including insurance cover and compliance with legal and regulatory requirements;
- review the Company's Code of Ethics/Conduct;
- review the Charter and the charters of its standing Committees;
- review Shareholder, customer and supplier relations;
- review donations and sponsorships;
- assess the Company's objectives for achieving diversity and progress in achieving those objectives; and
- settle the Board's work plan for the following year.

7.8. Directors are entitled to have access, at all reasonable times, to all relevant Company information and to Senior Management. The Board encourages the Chief Executive to bring employees to Board meetings who can provide additional insight

into the items being discussed because of personal involvement or expertise in such matters, including employees whose future potential the Chief Executive believes should be given exposure to the Board.

7.9. Directors are expected to strictly observe the provisions of the Act applicable to the use and confidentiality of Company information.

## **8. Chair**

8.1. The Chair is appointed by the Directors and must be an independent non-executive director.

8.2. The Chair is responsible for the leadership of the Board and for the efficient organisation and conduct of the Board's functioning.

8.3. The Chair also has specific responsibility to:

- facilitate the effective contribution of all Directors and promote constructive and respectful relations between Directors and between the Board and Senior Management;
- maintain regular dialogue with the Chief Executive over all operational matters and consult with the remainder of the Board promptly over any matter that gives cause for significant concern;
- represent the views of the Board to all Shareholders and maintain appropriate ongoing contact with major shareholders to ensure the Board understands their views; and
- Chair Board and Shareholders' meetings.

## **9. Deputy Chair**

9.1. The Board may appoint one or more Directors to the office of Deputy Chair. If such an appointment is made each Deputy Chair is to be an independent Director. A Deputy Chair will undertake any duties required by the Board.

## **10. Board Committees**

10.1. The Board recognises the essential role of Committees in guiding the Company on specific issues, where specialist knowledge and expertise is required. Four standing Board Committees have been established to assist, advise and make recommendations to the Board on matters falling within their area of responsibility.

10.2. Board Committees will, as far as is appropriate, observe the same rules of conduct and procedure as the Board, unless the Board determines otherwise. Board Committees will only speak or act for the Board when so authorised. The authority conferred on a Board Committee will not derogate from the authority delegated to the Chief Executive or the responsibility of the Chair. Each Board Committee shall have a Charter approved by the Board and reviewed annually. The members of each Board Committee will be appointed by the Board.



- 10.3. All Directors will receive papers for each Committee. Formal minutes of each Committee meeting are prepared and circulated to the Directors. A verbal report is also provided at the next Board meeting.
- 10.4. The role, function, charter, performance and membership of each Committee are reviewed on an annual basis.
- 10.5. The Board has established the following Committees:
- Audit and Finance Committee
  - People Committee
  - Health & Safety and Regulatory Compliance Committee
  - Board Nomination Committee

## **11. Board Composition and Mix**

In addition to the Constitutional requirements, the Board has agreed that:

- 11.1. The minimum number of independent Directors shall constitute a majority of the Board at all times.
- 11.2. The test of “independence” shall be governed by the requirements of the listing rules of any relevant stock exchange. The Company’s annual report will include information on each Director and identify which Directors are independent.
- 11.3. Subject to any limitations imposed by Shareholders in general meetings, it is anticipated that non-executive Directors will hold office initially for three years following their first appointment (or, if appointed by the Board between Annual Meetings, from the date of the meeting next following the appointment), subject to any obligation to retire by rotation in accordance with the Company’s Constitution.

## **12. Board Nomination Committee**

- 12.1. The Nomination Committee of the Board will recommend to the Board candidates to be considered for appointment as a Director. Appointments shall be made in accordance with the Board’s written procedure for the nomination and appointment of Directors outlined in the Nomination Committee’s Charter. To be eligible for selection, candidates must demonstrate appropriate qualities and experience. Directors will be selected based on a range of factors including the needs of the Board at the time.

## **13. Induction and Continuous Education**

- 13.1. The Board will ensure that all new Directors are appropriately introduced to the management and the business of the Company. All such Directors will receive a full disclosure and compliance pack including relevant company policies and the Constitution. It is expected that all Directors will continuously educate themselves to ensure that they may appropriately and effectively perform their duties. In addition, visits to specific Company operations, when appropriate, and briefings from Senior Management and industry experts will be arranged.

- 13.2. Directors will undertake appropriate training to remain current on how to best perform their duties as Directors of Sanford.

## **14. Directors Remuneration**

- 14.1. The Board will determine the level of remuneration paid to Directors and to members of the various Board various committees, within the total amount approved by Shareholders.

## **15. Shareholding of Directors**

- 15.1. Directors are required to hold at least 500 shares in the Company as required by the Constitution.
- 15.2. When buying or selling shares, Directors must strictly observe the provision of the Company's Constitution, the Company's own internal rules (including the Company's Securities Trading Policy and Guidelines) and all relevant legislative or regulatory procedures.
- 15.3. All changes in shareholding shall be reported to the Board and where required to the stock exchanges on which the Company is listed in accordance with the rules of those exchanges.

## **16. Provision of Business or Professional Services by Directors**

- 16.1. Because a conflict of interest (actual or perceived) may be created, Directors should not, generally, provide business or professional services of an ongoing nature to the Company. Notwithstanding the general rule, the Company is at liberty to for the purposes of a special assignment, engage the services of any Director having special expertise in a particular field or engage the services of another member of a Director's organisation, so long as the terms of engagement are competitive, established on an arm's length basis, clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

## **17. Other Board Appointments**

- 17.1. Any Director is, while holding office, at liberty to accept other board appointments so long as the appointment is not in conflict with the Business and does not detrimentally affect the Director's performance as a Director. Such appointments and all other appointments potentially having a significant impact on the Director's performance must first be discussed with the Chair before being accepted.
- 17.2. It is recognised that, from time to time, conflicts of interest may arise as a result of Director's appointments to the board of, or other involvement with, other organisations. In such situations, Directors will put in place appropriate processes, including excluding themselves from discussions in respect of such businesses, to ensure that the effect of such conflict of interest is minimised.

## **18. Independent Professional Advice**

- 18.1. The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.
- 18.2. In certain circumstances, each Director has the right to seek independent professional advice at the Company's expense within specified limits, or with the prior approval of the Chair. This advice shall generally be made available to all other Directors.
- 18.3. All Committees of the Board have access to independent professional advice on this basis.

## **19. Board and Director Evaluations**

- 19.1. The Board will, each year, critically evaluate its own performance, and its own processes and procedures, including those of its Board Committees, to ensure that they are not unduly complex and are designed to assist the Board in effectively fulfilling its role.
- 19.2. Each year, the performance of individual Directors will be evaluated by a process which includes:
- each Director will discuss with the Chair that Director's contribution to the proceedings of the Board and the performance of the Board and its Board Committees generally; and
  - the Chair's own contribution will be discussed by the rest of the Board.
- 19.3. An independent review of the performance of individual Directors and the Board will be undertaken biannually.

## **20. Indemnities and Insurance**

- 20.1. The Company will provide Directors with, and pay premiums for, indemnity and insurance cover while acting in their capacities as Directors, to the fullest extent permitted by the Act. The Company will maintain specified corporate documents and provide Directors with access to those documents.

## **21. The Corporate Secretary**

- 21.1. The appointment and removal of the Corporate Secretary is made on the recommendation of the Chief Executive and must be approved by the Board. The Corporate Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

- 21.2. All Directors, particularly the Chair, have access to the advice and services of the Corporate Secretary for the purposes of the Board's affairs and the Business.

## **22. Position of Chief Executive**

- 22.1. The Chief Executive is charged with the day-to-day management of the Company. The Chief Executive also has the responsibility to manage and oversee the interfaces between the Company and the public and to act as the principal representative of the Company.
- 22.2. The Chief Executive, together with Senior Management, is responsible to the Board for the development and implementation of strategy and overall management and performance of the Company.
- 22.3. The Chief Executive manages the organisation in accordance with the strategy, business plans and policies approved by the Board to achieve the corporate objective and the goals and targets of the Company.
- 22.4. The Chief Executive's performance is assessed in light of the achievement of those goals, targets and other agreed performance indicators.
- 22.5. Between meetings, the Board maintains an informal link between the Board and the Chief Executive, and will be kept informed by the Chief Executive on all important matters. The Chair will be available to the Chief Executive to provide counsel and advice where appropriate.

## **23. Accountability of the Chief Executive to the Board**

- 23.1. The Chief Executive is accountable to the Board for the achievement of the strategic goals of the Company. The Chief Executive is accountable for the observance of the Management Limitations.
- 23.2. At each of its normal meetings, the Board should expect to receive from or through the Chief Executive:
- the operational and other reports and proposals referred to in paragraph 7.6; and
  - such assurances as the Board considers necessary to confirm that the Management Limitations are being observed.

## **24. Management Limitations**

- 24.1. The Chief Executive is expected to:
- act within all specific authorities delegated to the Chief Executive by the Board;
  - allow only practices, activities or decisions that conform to commonly accepted good business practice and the Company's Code of Ethics;
  - adhere to the Company's strategic goals in allocating the capital and resources of the Company;

- allow actions only after taking into account the health, safety, environmental and political consequences and their effect on long-term shareholder value;
- not to cause or permit any action that is likely to result in the Company becoming financially embarrassed;
- adequately maintain and protect the assets of the Company;
- protect employees and other parties working for the Company from being subjected to treatment of conditions that are undignified, inequitable, unfair or unsafe; and
- allow payments to be made or rewards given only if they are in return for contributions towards the purposes of the Business and the net enhancement of the Business value, and are proportional to the extent that the contribution in question furthered such purposes and are at fair value.

## 25. Signed

A handwritten signature in black ink, appearing to read 'Paul Norling', with a stylized flourish at the end.

Signed: Paul Norling  
**Chairman**

**November 2017**