



# DIRECTOR AND EXECUTIVE REMUNERATION POLICY

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## **1. Purpose**

The purpose of this policy is to outline the guiding principles and structure of Sanford's remuneration to the Board and executives, the review process and reporting requirements.

## **2. Guiding Principles**

The guiding principles of this policy are that the remuneration of directors and executives will be transparent, fair and reasonable to meet the needs of the business, corporate governance bodies and shareholders. When setting levels of remuneration, consideration will be given to the creation of shareholder value particularly in respect to meeting and exceeding the company's weighted average cost of capital as viewed by the NZ investment community, the business and commercial environment, reward practices in the primary industry market and other appropriate relativities. Sanford's policy on remuneration position is that remuneration will be at market median level. Remuneration is calculated on a total cost to company basis.

## **3. Background and Definitions**

This policy outlines the structure of director and executive remuneration, formal process for shareholder review, transparency and reporting of actual remuneration paid and bi-annual review of the strategic remuneration policy and process.

### **3.1. DIRECTOR COMMITTEE FEE**

A sum of money paid to directors to remunerate them for their time and responsibilities of participating on a board sub-committee.

### **3.2. DIRECTOR FEE**

A sum of money paid to directors to remunerate for their time and responsibilities of participating on the board.

### **3.3. DIRECTOR CHAIR**

Director elected by the Board of Directors to chair board and shareholder meetings.

### **3.4. COMMITTEE CHAIR**

Director elected by the Board of Directors to chair meetings of a sub-committee. These are the Audit and Finance Committee, Health and Safety and Regulatory Compliance Committee and People Committee.

### **3.5. DIRECTOR**

Member of the Board of Directors providing governance for Sanford and its business operation. Reports to the Chair of the Board.

### **3.6. CHIEF EXECUTIVE OFFICER**

The most senior employee charged with leading the business and senior executive team. Reports to the Chair of the Board.

### **3.7. FIXED REMUNERATION**

Refers to base salary, superannuation and medical insurance paid for the requirements of the role as outlined in an Individual Employment Agreement.

### 3.8. VARIABLE REMUNERATION

Refers to remuneration that is 'at risk' and linked to individual and organisational performance with clearly defined metrics.

- *Short Term Incentive (STI)*  
Refers to a discretionary form of payment that may be offered and paid upon the achievement of pre-determined levels of performance. STI achievement requirements may vary from year to year to reflect business need.
- *Long Term Incentive (LTI)*  
Refers to a performance right to equity upon the achievement of pre-determined levels of performance over an extended period of time. Performance and vesting periods are linked to the creation of shareholder value. LTI achievement requirements may vary from year to year to reflect business need.

### 3.9. PEOPLE COMMITTEE

The committee made up of board members responsible for overseeing the detail of the management of people matters of the company on behalf of the Board, reporting back to the Board on appropriate details. This includes:

- Setting and reviewing the remuneration policies and practices of the company;
- Setting and reviewing as appropriate, the terms of employment agreements including remuneration structure and annual performance for the CEO and any other senior executives as the Board may from time to time determine;
- Set and review the terms of any superannuation scheme offered by the company;
- Monitor people practices in areas of management succession and senior organisation structure;
- Consider such other matters relating to employment and regulatory compliance issues as may be referred to it by the board.

## 4. Director Fees

Each board member receives an annual fee for their time and expertise given to the board and any committee they are a member of commensurate with the responsibilities of the role. These fees are paid from a pool of funds approved by shareholders at the Annual Meeting of shareholders.

The fees payable are reviewed each year by the People Committee, of which the Board Chair is a member, in accordance with the principles of this policy. Any proposal for a change in the individual level for director, or committee payment, or to the pool of funds, will then go to the full Board for their approval.

Any Board approved increase in the amount of funds pooled will then be taken by the Chairman of the Board to the Annual General Meeting of Shareholders for their approval.

Revised amounts payable may be made effective at the commencement of the financial year in which the annual meeting is held.

A suitably qualified and experienced external consulting company is engaged as appropriate to review the market relativity of board and committee member fees.

All fees payable to board members are disclosed in the company's annual report.

## **5. Chief Executive Officer Remuneration**

The CEO's salary is made up of fixed and variable remuneration that reflect the CEO's expertise, contribution and performance in the company. Variable remuneration includes short and long term incentives. The total remuneration paid is reviewed each year by the Board and People Committee Chairs in accordance with the principles of this policy. Any recommendations for change are tabled to the Board. Any changes agreed are made effective in accordance with the terms of the CEO's employment agreement.

A suitably qualified and experienced external consulting company is engaged as appropriate to review the market relativity of the CEO's remuneration.

## **6. Remuneration for management reporting to the Chief Executive Officer**

The remuneration for direct reports to the Chief Executive Officer will be reviewed each year by the People Committee Chairs in accordance with the principles of this policy. Any changes agreed are made effective in accordance with the terms of the individual management's employment agreement.

## **7. Governance**

The deployment and review of the policy will be managed by the Chief People Officer under consultation with the People Committee. It will be reviewed on a bi-annual basis.

## **8. Signed**



**Peter Kean**  
**People Committee Chair**



**Paul Norling**  
**Chairman**

**November 2017**