



SANFORD

# Corporate Governance Statement 2018

Sound corporate governance and having the right structure, people, practices and policies in place is fundamental to ensuring Sanford's ability to create maximum value over the short, medium and long term.

The extent to which Sanford has followed the recommendations of the NZX Corporate Governance Code (NZX Code) 2017 for the financial year ended 30 September 2018 is detailed in this Corporate Governance Statement. Consistent with its commitment to best practice corporate governance, Sanford has achieved full compliance with the recommendations of the NZX Code for the financial year ending 30 September 2018.

The Board regularly reviews and assesses Sanford's governance policies, procedures and practices to ensure they are appropriate and effective. This Corporate Governance Statement provides a snapshot of these practices, processes and policies following the recommendations of the NZX Code.

Sanford's key corporate governance documents referred to in this statement, including charters and policies, can be found here [www.sanford.co.nz/investors/governance](http://www.sanford.co.nz/investors/governance). The annual report for the financial year ended 30 September 2018 may cross-reference this Corporate Governance Statement. This statement was approved by the Board on 14 November 2018, and was accurate at that date.

## Principle 1: Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Sanford's Board is committed to maintaining the highest standards of corporate governance, ensuring transparency, business integrity and ethics, and recognising the interests of its shareholders and other stakeholders.



**Recommendation 1.1:** The Board should document minimum standards of ethical behaviour to which the issuer's Directors and employees are expected to adhere (a code of ethics) and comply with the other requirements of Recommendation 1.1 of the NZX Code.

Sanford has prepared a Code of Ethical Behaviour consistent with our core values of Care, Passion and Integrity, which is published on its website [www.sanford.co.nz/investors/governance/policies](http://www.sanford.co.nz/investors/governance/policies). Sanford also has a Code of Conduct in place, which is made available to all employees, and sets out the standards expected from Sanford's Directors, officers, employees and anyone acting on our behalf. Sanford monitors compliance with the Code through established performance management processes and adherence to the Protected Disclosures (Whistleblowing) Policy. Disclosure of serious wrongdoing is strongly encouraged by Sanford as a means of managing risk, promoting openness and transparency, and protecting the reputation of the Company. This Policy recognises Sanford's commitment to encouraging, supporting and protecting those employees who, in good faith, disclose such wrongdoing, detailing the procedure and protection offered, when this occurs.

During the period of 1 October 2017 to 30 September 2018, five non-material breaches were reported to the Board, with action taken to address these breaches in accordance with Company procedures.

A copy of Sanford's Code of Ethical Behaviour is disclosed on the Sanford website at: <https://www.sanford.co.nz/investors/governance/policies/>.

## Principle 2: Board Composition and Performance



### TRADING IN COMPANY SECURITIES POLICY

**Recommendation 1.2:** An issuer should have a financial product dealing policy, which applies to employees and Directors.

Sanford has a Securities Trading Policy that details the Company's position on, and rules that apply to, all Directors, officers and employees of Sanford and its subsidiaries in New Zealand who intend to trade in Sanford's listed securities in New Zealand. The requirements imposed by the Policy are separate from, and in addition to, the legal prohibitions on insider trading that apply.

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.



### BOARD CHARTER

**Recommendation 2.1:** The Board of an issuer should operate under a written charter, which sets out the roles and responsibilities of the Board. The Board charter should clearly distinguish and disclose the respective roles and responsibilities of the Board and management.

The Board has adopted a formal Board charter that has been updated to ensure compliance with the NZX Code. The Board Charter is disclosed on the Sanford website at: <https://www.sanford.co.nz/investors/governance/board-and-committees/>.



### NOMINATION AND APPOINTMENT OF DIRECTORS

**Recommendation 2.2 and 2.3:** Every issuer should have a procedure for the nomination and appointment of Directors to the Board. An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.

Sanford has developed and adopted a Nominations Committee Charter, which is disclosed on the Sanford website at: <https://www.sanford.co.nz/investors/governance/board-and-committees/>.

The Nomination Committee Charter outlines the matters that are included in the letter of appointment for each Director.



### DIRECTOR PARTICULARS

**Recommendation 2.4:** Every issuer should disclose information about each Director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.

The Board is committed to ensuring a range of experiences and perspectives among its Directors; this is highlighted in the Directors' biographies on the Sanford website at [www.sanford.co.nz/investors/governance/board-of-directors/](http://www.sanford.co.nz/investors/governance/board-of-directors/).

The following outlines the Board skills, experience and diversity:

The right balance of skills and experience to make a meaningful and ongoing contribution to long-term value creation across Sanford

BOARD SKILLS, EXPERIENCE AND DIVERSITY		
EXPERIENCE	Banking and financial	
	Legal and regulatory compliance	
	Public policy and consultation	
	Sales and marketing	
	Fisheries consultation, Treaty settlement allocation	
	Mergers and Acquisitions	
SKILLS	Financial acumen	
	Governance	
	Strategy and risk	
	Human resource management and remuneration	
	Public sector policy formulation, advocacy	
	Global operational management	
TENURE	9 years and longer	3
	6 to 8 years	0
	3 to 5 years	1
	Less than 3 years	2
DIVERSITY	Female	<b>17%</b> (2017:17%)
	Male	<b>83%</b> (2017:83%)

Details of independence and ownership interests are set out in the 'Corporate governance' section of the Sanford Annual Report 2018.

**DIVERSITY**



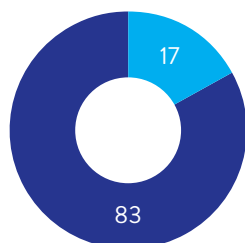
**Recommendation 2.5:** An issuer should have a written diversity policy, which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

Sanford have a Diversity and Inclusion Policy in place. This includes specific KPI measures for the Board and Senior Leadership Team with respect to gender and ethnic diversity.

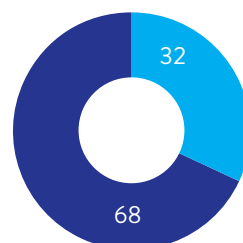
In accordance with the NZX Diversity Rule, we continue to report the gender composition of our Directors and our Senior Leadership Team. As noted above, the Board is comprised of six members (2017: 6), of which five are male (2017: 5), and one is female (2017: 1). The gender diversity of the Board comprises 83% male and 17% female representation. The Senior Leadership Team (inclusive of the Executive team) is comprised of 28 members, (2017:26) of which 19 are male (2017: 19) and nine are female (2017: 7). The gender diversity of the Senior Leadership Team comprises 68% male and 32% female (2017: 73% male, 27% female).

The diversity provisions set out in the Diversity and Inclusion Policy comply with this recommendation.

**Board gender diversity**



**Senior leadership team gender diversity**



● Female  
● Male

A copy of Sanford’s Diversity and Inclusion Policy is disclosed on Sanford’s website at: <https://www.sanford.co.nz/investors/governance/policies/>.

**DIRECTOR TRAINING**



**Recommendation 2.6:** Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an issuer.

Sanford’s Directors are expected to understand the company’s operations and undertake any necessary continued professional development to enable them to discharge their duties. This includes:

- Attending Director training sessions on specific aspects, such as health and safety governance
- Attending management presentations and tutorial sessions, as appropriate, to gain a broader understanding and knowledge of Sanford
- Attending briefings on relevant changes in legislation, regulatory and industry frameworks
- Attending technical and professional development courses, as appropriate, to keep up to date on relevant issues
- Undertaking scheduled visits to key Sanford sites and operations, to familiarise themselves with key operational activities and business practices.

**EVALUATION OF PERFORMANCE OF DIRECTORS**



**Recommendation 2.7:** The Board should have a procedure to regularly assess Director, Board and Committee performance.

On an annual basis, the Board critically evaluates 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.

The performance of individual Directors is evaluated, each year, by a process which includes:

- Each Director discussing 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 being discussed by the rest of the Board.

An independent review of the performance of individual Directors and the Board is undertaken biannually.

SEPARATION OF THE BOARD CHAIR AND CHIEF EXECUTIVE OFFICER (CEO)



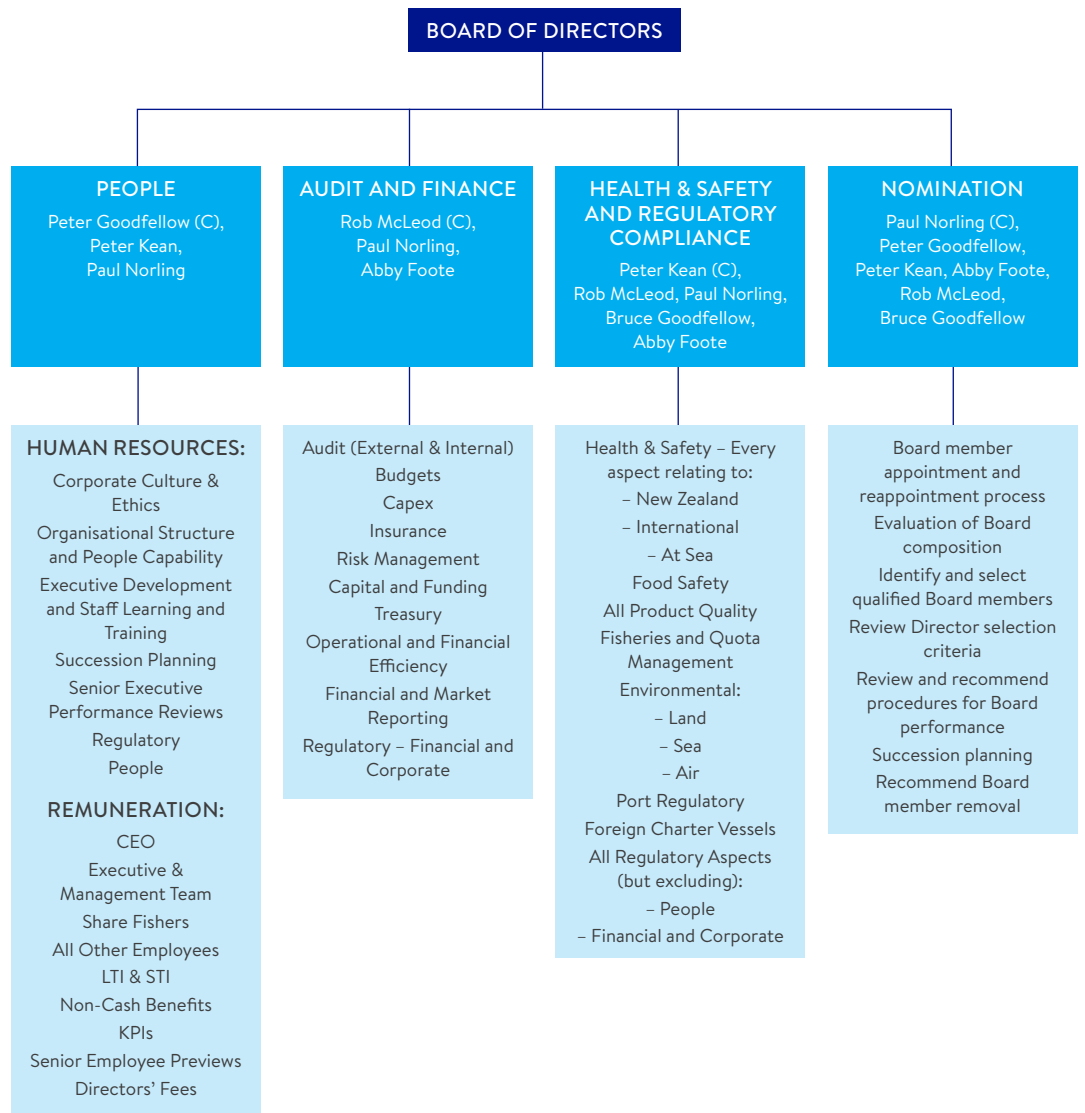
**Recommendation 2.8:** The Chair and the CEO should be different people.

The positions of the Chair and CEO of Sanford are held by different people.

**Principle 3:  
Board Committees**

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

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





**Recommendation 3.5 (part):** All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

Each Committee is governed by a formal charter, setting out its objectives, roles and responsibilities, composition, structure, membership requirements and operation. Members' attendance is reported annually, and the table of attendances is included below:

#### BOARD AND BOARD COMMITTEE MEETING ATTENDANCE IN THE YEAR ENDED 30 SEPTEMBER 2018

BOARD MEMBER	FULL BOARD MEETINGS	BOARD COMMITTEES			
		AUDIT FINANCE & RISK	H&S AND REGULATORY COMPLIANCE	PEOPLE	BOARD NOMINATION
Paul Norling	11/11	8/8	6/6	6/6	1/1
Elizabeth (Liz) Coutts <sup>2</sup>	2/3	3/3	–	–	1/1
Peter Goodfellow	11/11	2 <sup>1</sup>	2 (1)	5/6	1/1
W Bruce Goodfellow	11/11	1 <sup>1</sup>	6/6	1 <sup>1</sup>	1/1
Peter Kean	11/11	2 <sup>1</sup>	6/6	6/6	1/1
Rob McLeod	11/11	8/8	6/6	–	1/1
Abigail (Abby) Foote <sup>3</sup>	7/7	4/4	3/3	1 <sup>1</sup>	–

1 Attended by invitation

2 Retired 13 December 2017

3 Appointed 1 February 2018

Copies of the Board and Committee charters are available at: [www.sanford.co.nz/investors/governance/board-and-committees](http://www.sanford.co.nz/investors/governance/board-and-committees). The Committees meet on at least a quarterly basis, or more often throughout the year, as required. Senior management representatives attend Committee meetings by invitation only. The four Board Committees are described below:

#### AUDIT FINANCE AND RISK COMMITTEE (AFRC)



**Recommendation 3.1:** An issuer's Audit Committee should operate under a written charter. Membership on the Audit Committee should be majority independent and comprise solely of non-executive Directors of the issuer. The chair of the Audit Committee should not also be the Chair of the Board.

The Audit Finance and Risk Committee assists the Board in fulfilling its responsibilities to protect the interests of shareholders, customers, employees and the communities in which Sanford operates through analysis and monitoring of financial and capital allocation matters, establishing a sound risk management framework and ensuring rigorous processes for internal control across financial management, financial accounting, corporate regulatory compliance, audit and related reporting processes.

The purpose, constitution, membership, responsibilities and accountabilities of Sanford's Audit Finance and Risk Committee complies with this recommendation.

A copy of Sanford's Audit Finance and Risk Committee Charter is disclosed on Sanford's website at: <https://www.sanford.co.nz/investors/governance/board-and-committees/>.



**Recommendation 3.2:** Employees should only attend Audit Committee meetings at the invitation of the Audit Committee.

Senior management representatives attend the Audit Finance and Risk Committee meetings by invitation only.

#### REMUNERATION (PEOPLE) COMMITTEE



**Recommendation 3.3:** An issuer should have a Remuneration Committee, which operates under a written charter (unless this is carried out by the whole Board). At least a majority of the Remuneration Committee should be independent Directors. Management should only attend Remuneration Committee meetings at the invitation of the Remuneration Committee.

The People Committee assists the Board in establishing and overseeing appropriate policies and strategies for all aspects of human resources management and remuneration, including corporate culture and ethics. This includes regulatory compliance matters relating to people, and the attraction, retention and development of people. The Committee's agenda reflects the importance of human capital to Sanford's strategic and business planning.

The purpose, constitution, membership, responsibilities and accountabilities of Sanford's People Committee complies with this recommendation.

A copy of Sanford's People Committee Charter is disclosed on Sanford's website at <https://www.sanford.co.nz/investors/governance/board-and-committees/>.

#### BOARD NOMINATION COMMITTEE



**Recommendation 3.4:** An issuer should establish a Nomination Committee to recommend Director appointments to the Board (unless this is carried out by the whole Board), which should operate under a written charter. At least a majority of the Nomination Committee should be independent Directors.

The Board Nomination Committee assists the Board by considering nominations to ensure an appropriate mix of expertise, skills, experience and diversity are on the Board. The full Board meet once a year, or as required, to determine the most appropriate makeup of the Board and to nominate any changes.

The purpose, constitution, membership, responsibilities and accountabilities of Sanford's Nomination Committee complies with this recommendation.

A copy of Sanford's Nomination Committee Charter is disclosed on Sanford's website at: <https://www.sanford.co.nz/investors/governance/board-and-committees/>.

#### HEALTH & SAFETY AND REGULATORY COMPLIANCE COMMITTEE (HSRCC)



**Recommendation 3.5 (part):** An issuer should consider whether it is appropriate to have any other Board committees as standing Board committees.

The Health & Safety and Regulatory Compliance Committee assists the Board in fulfilling its responsibilities to protect the interests of Sanford, its shareholders and stakeholders given the regulatory environment that Sanford operates in. This includes providing leadership and policy with respect to health, safety and wellbeing, as well as fisheries, environmental, food safety, product quality control, and political and regulatory compliance matters.

The purpose, constitution, membership, responsibilities and accountabilities of Sanford's Health & Safety and Regulatory Compliance Committee complies with this recommendation.

A copy of Sanford's Health & Safety and Regulatory Compliance Committee Charter is disclosed on Sanford's website at: <https://www.sanford.co.nz/investors/governance/board-and-committees/>.

#### TAKEOVER PROTOCOLS



**Recommendation 3.6:** The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

A takeover response protocol, which has been approved by the Board, is in place for dealing with a takeover offer. The protocol complies with this recommendation.

### Principle 4: Reporting and Disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

#### CONTINUOUS DISCLOSURE



**Recommendation 4.1:** An issuer's Board should have a written Continuous Disclosure Policy.

Sanford has a Continuous Disclosure Policy, and is committed to providing accurate, timely and consistent disclosures that comply with its continuous disclosure regime, in accordance with the Listing Rules. This includes Board examination of continuous disclosure issues at each Audit Finance and Risk Committee meeting and Board meeting, as appropriate.

The Continuous Disclosure Policy is available on the Sanford website at: <https://www.sanford.co.nz/investors/governance/policies/>.

#### CHARTERS AND POLICIES



**Recommendation 4.2:** An issuer should make its code of ethics, Board and Committee charters, and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Key governance documents are available to investors and stakeholders on Sanford's website. They include the Board and Committee charters, Code of Ethical Behaviour, Continuous Disclosure Policy, Privacy Policy, Securities Trading Policy and Guidelines, Protected Disclosures (Whistleblowing) Policy, Fisheries Compliance Policy, Diversity and Inclusion Policy, Sustainability Policy and the Director and Executive Remuneration Policy.

#### FINANCIAL REPORTING



**Recommendation 4.3:** Financial reporting should be balanced, clear and objective.

Sanford published its audited interim and full-year financial statements that were prepared in accordance with relevant financial reporting standards. The full-year financial statements for the year ended 30 September 2018 are set out in the Sanford Annual Report 2018 (pages 116 to 155).



## NON-FINANCIAL REPORTING – SUSTAINABILITY



**Recommendation 4.3:** An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured.

Each year, non-financial information is disclosed by Sanford in the Annual Report. Material risks are discussed (including how those risks are managed and how non-financial targets are measured) and are also covered in this Corporate Governance Statement (see Principle 6).

This year's Annual Report is Sanford's fifth Integrated Annual report, as defined by the International Integrated Reporting Council (IIRC). This Report has been developed in accordance with both the International Integrated Reporting Council (IIRC) Integrated Report <IR> Framework and the Global Reporting Initiative Sustainability Reporting Standards (GRI) 2016 (applied to a core level of compliance) as detailed in the Sanford Annual Report 2018, **Appendix E**. Sanford have also considered its role in contributing to the United Nations Sustainable Development Goals (SDGs). Sanford has focused on eight SDGs to which it can contribute the most, and has the most impact upon.

The Integrated Reporting <IR> framework requires Sanford to answer the question: "What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them." Value is defined according to the dimensions of time, financial and non-financial resources for both Sanford and other stakeholders.

A combined Independent Auditor's and Limited Assurance Report is issued by Sanford's external auditor KPMG, in relation to Sanford's Annual Integrated Report 2018, and is included on pages 156 to 161 of that Report.

## Principle 5: Remuneration

The remuneration of Directors and Executives should be transparent, fair and reasonable.

## DIRECTORS' REMUNERATION



**Recommendation 5.1:** An issuer should recommend Director remuneration to shareholders for approval in a transparent manner. Actual Director remuneration should be clearly disclosed in the issuer's annual report.

Information on Sanford's Director remuneration is available in the Sanford Annual Report 2018, refer '**Corporate governance**' (page 109). This includes a breakdown of remuneration for Board fees and Committee roles. No other payments were made to Directors.

The total Directors' fees pool is capped at \$700,000, effective 1 October 2015; this was approved by the shareholders at the 2015 Annual Meeting.

The Board has sought to restrict fee increases and costs. However, the Company is in a transformational phase of change which has necessitated a higher level of involvement at both Board, and in particular, Committee level. The Company also needs to be continually aware of the need to keep fees within appropriate market range to be able to attract directors with the talent, skills and experience necessary for the complexity and transformational change involved at Sanford.

In 2018, Ernst & Young Limited (EY) was engaged by Sanford to prepare a report in relation to Non-Executive Directors' (NED) fees. An executive summary of the report, prepared independently and not subject to any influence from the management or any board member of Sanford New Zealand or any third party, is provided as *Attachment 1*.

Approval from Shareholders will be sought at the Annual General Meeting for an increase in the Directors' Fee Pool of \$90,000 from \$700,000 to \$790,000 effective from 1 October 2018. The increase sought will accommodate a moderate increase in base director's fee, an increase in the Chairman's fee and the introduction of a Deputy Chairman's fee. In addition, it will provide some modest headroom for potential added Board Committee cost. This is considered the minimum we can get by with this year, and is below the level recommended by the Report.

#### REMUNERATION POLICY



**Recommendation 5.2:** An issuer should have a Remuneration Policy for remuneration of Directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

Sanford has a Director and Executive Remuneration Policy in place, consistent with the principles of the People Committee Charter. The guiding principles of the policy are for the remuneration of Directors and Executive to be transparent and reasonable, and to support the Company in attracting, retaining and motivating high-calibre people to achieve its business objectives and create shareholder value. The Director and Executive Remuneration Policy complies with this recommendation.

A copy of Sanford's Director and Executive Remuneration Policy is disclosed on Sanford's website at: <https://www.sanford.co.nz/investors/governance/policies/>.

#### EMPLOYEES' REMUNERATION

Details relating to the number of employees and former employees who received remuneration and other benefits in excess of \$100,000 during the year ended 30 September 2018 is available in the Sanford Annual Report 2018, refer '**Corporate governance**' (page 111).

#### CEO REMUNERATION



**Recommendation 5.3:** An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.

The CEO's remuneration consists of fixed remuneration, a short term incentive (STI) and a long term incentive (LTI). This is reviewed annually by the People Committee and the Board after reviewing the Company's performance, the CEO's individual performance, and the advice from external remuneration specialists. Information on the CEO's remuneration is available in the Sanford Annual Report 2018, refer '**Corporate governance**' (page 110).

### Principle 6: Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

#### RISK MANAGEMENT FRAMEWORK



**Recommendation 6.1:** An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.

The identification and mitigation, where possible, of business risks, along with the integrity of management systems and the quality and relevance of reporting to shareholders are a critical oversight responsibility of the Board. The Board is satisfied that there are sufficient written procedures, policies, guidelines and organisational structures in place to ensure an appropriate division of responsibility, as well as programmes to identify, assess and manage areas of significant risk.

Sanford uses an Enterprise Risk Management approach to identify, evaluate, address, monitor, quantify and report material business risks to the Audit Finance and Risk (AFRC) and Health & Safety and Regulatory Compliance (HSRCC) Board Committees, including assessing the implementation and/or effectiveness of mitigation measures. The objective of this approach is to enhance stakeholder value through continuous improvement in the Company's management of risk. Further details relating to the specific risks identified are set out in the Sanford Annual Report 2018, **Appendix B** (page 166).

A key control is Sanford's annual business plan and operating budget, which is prepared by management and approved by the Board. This document, combined with the preparation and presentation of monthly financial statements, allow the Board to review management performance against the annual plan and previous year. The Board has an ongoing focus on strategic direction, as well as both global and local trends impacting the Company and industry overall. In addition to internal mechanisms, the Board engages external advisors to carry out internal audit functions on various parts of the business on a rotational basis each year, as set out under Principle 7 'Auditors'.

#### HEALTH AND SAFETY



**Recommendation 6.2:** An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

Health and safety risks are reported to the Board and to the Health & Safety and Regulatory Compliance Committee on a monthly basis. Health and safety indicators that comply with GRI standards, such as the lost time injury frequency rate (LTIFR), are disclosed in the Sanford Annual Report 2018 (refer **Outcome 2 – Our people**), and KPI table, **Appendix A**. We have reviewed the Global Reporting Initiative (GRI) Standard 2018, and although this has yet to come into effect, are progressively working to implement additional, more proactive lead indicators for our health and safety risk management performance.

#### Principle 7: Auditors

The Board should ensure the quality and independence of the external audit process.

#### AUDIT

The Board ensures the quality and independence of the external audit process, which culminates in the audit report being issued in relation to the annual financial statements. The significant issues and judgements considered by the Audit Finance and Risk Committee are disclosed in the Sanford Annual Report 2018 (Note 2 on page 124 of the financial statements).

**EXTERNAL AUDITOR**

KPMG were commissioned as Sanford's external auditors for the year ending 30 September 2018. The Board, after considering the recommendation of the Audit Finance and Risk Committee, considered and reviewed the appointment of the external auditors. It is proposed that the current Auditor should continue in office, in accordance with Section 207T of the Companies Act 1993.

The Audit Finance and Risk Committee provides a formal forum for communication between the Board and the external auditors, ensures the independence of the external auditors, has oversight of audit planning, reviews and recommends audit fees, considers audit opinions and evaluates the performance of the external auditors. KPMG did not provide any non-audit services during the year ended September 2018. The audit partner responsible for the Sanford audit has been the lead auditor for the past two years, having rotated in 2015/16.

No issues relating to the external auditors' independence have been identified to the year ending 30 September 2018.

**RELATIONSHIP WITH AUDITOR**

**Recommendation 7.1 and 7.2:** The Board should establish a framework for the issuer's relationship with its external auditor. This should include the procedures prescribed by the NZX Code. The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

**INDEPENDENCE OF EXTERNAL AUDITORS**

The External Auditor Independence Policy sets out the procedures required to obtain Board Audit Finance and Risk Committee approval for the use of Sanford's appointed external audit firm for non-audit services. The use of the external audit firm may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of the auditor, subject to the approval of the Audit Finance and Risk Committee.

Sanford's external auditor is invited to attend Sanford's annual meeting each year, and shareholders can ask questions of them, should they wish.

**INTERNAL AUDIT FUNCTION**

**Recommendation 7.3:** Internal audit functions should be disclosed.

Ernst and Young (EY) were commissioned for the year ending 30 September 2018, to conduct a number of internal audit functions on behalf of Sanford. These included Charter Partner Fishing Services Contract Management Audits, a Cyber Security Audit, Vessel Post Acquisition Audits and a Sharefisher Payment Audit. These audits were carried out in accordance with the Sanford internal audit plan, and approved by the Audit Finance and Risk Committee.

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

## Principle 8: Shareholder Rights and Relations

**INFORMATION FOR SHAREHOLDERS**

**Recommendation 8.1:** An issuer should have a website where investors and interested shareholders can access financial and operational information and key corporate governance information about the issuer.

Sanford provide shareholders with information through our Annual and Interim (half year) Reports, our Annual Meeting and announcements of relevant information, including results. These documents are lodged with the New Zealand Stock Exchange (NZX) and are publicly available on the Company website at [www.sanford.co.nz](http://www.sanford.co.nz).

Over the past five years, Sanford have sought to enhance its financial accounts through integrated reporting, ensuring greater transparency to stakeholders on their strategic direction, business model, value creation and environmental and social performance. Sanford keeps its shareholders informed of major developments and business events likely to affect the Company's operations, financial standing and share price.

#### COMMUNICATING WITH SHAREHOLDERS



**Recommendation 8.2:** An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Shareholders are encouraged to engage with senior management and the Sanford Board of Directors at the Annual Meeting. Copies of addresses made by the Chairman and CEO at the Annual Meeting are lodged with NZX, and made publicly available on the Company website. Sanford also communicates with the investment community via regular group presentations by senior management, and the Chairman undertakes engagement with major investors and advisors to Sanford. This provides a useful forum for both the Board and Sanford investors and advisors to stay abreast of current market views, commercial developments and industry trends.

Sanford provides options for shareholders to receive and send communications electronically, to and from both Sanford and its share registrar.

#### SHAREHOLDER VOTING RIGHTS



**Recommendation 8.3:** Shareholders should have the right to vote on major decisions, which may change the nature of the company in which they are invested in.

Sanford is committed to timely and balanced disclosure, which includes advising shareholders on any major decisions. Sanford has processes to ensure it follows the mandatory listing rule requirements relating to a change in the essential nature of the business, including major transactions under the Companies Act 1993.



**Recommendation 8.4:** Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.

Sanford conducts voting at its annual shareholder meetings by way of a poll. All of Sanford's ordinary shares carry one vote per share. Further information on shareholder voting rights can be found in our Company Constitution and Notice of Meeting.

#### NOTICE OF ANNUAL MEETING



**Recommendation 8.5:** The Board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible, and at least 28 days prior to the meeting.

The Annual Meeting for the financial year ending 30 September 2018 will be held at 2.00pm on Friday 14 December 2018 at GridAKL, The Workshop Room, Level 1, 12 Madden Street, Wynyard Quarter, Auckland Central Business District (CBD).

Sanford's Notice of Meeting will be made available to shareholders at least 28 days prior to the meeting.

Sanford Limited  
 November 2018

## 1. Executive Summary

Ernst & Young Limited (EY) has been engaged by Sanford Limited (Sanford) to prepare a report in relation to Non-Executive Directors' (NED) fees. We confirm that our report has been prepared independently and not subject to any influence from the management or any board member of Sanford New Zealand or any third party.

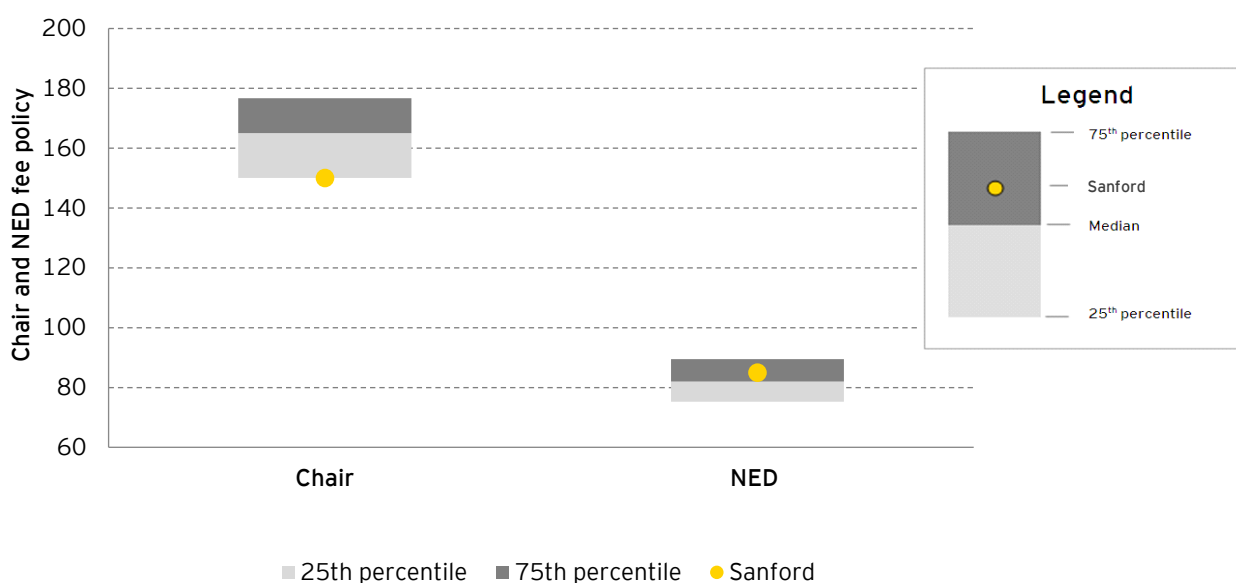
The findings in this section summarise the market positioning of Sanford's Chair, NEDs and committee fees compared to the market data. Fees are considered to be 'at' the relevant market reference point if positioned within 10% of the market data reference point.

The market information pertaining to fee practices within the comparator group has been sourced from EY's Directors' fees database, supplemented with data from the most recent Annual Reports. The information from Annual Reports is publicly available information. The comparator group was discussed and agreed with Sanford as the basis from which to perform our analysis.

We acknowledge that there is a time lag in remuneration disclosures from the chosen organisations. Generally, Ernst & Young does not support 'ageing' market data to account for this time lag. Therefore the data used in this analysis has not been aged.

### 1.1 Board Chair and NED fee positioning

The diagrams below compare Sanford's Chair and NED fees to the market data for the agreed comparator groups. The diagrams also display the internal relativity of Sanford's Chair and NED fees.



- ▶ **Chair:** The Chair fee is at the 25<sup>th</sup> percentile
- ▶ **Other NED's:** NEDs' fees are between the median and 75<sup>th</sup> percentile.

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The table below compares the positioning of Sanford's approved maximum aggregate NED fee pool to the approved maximum aggregate NED fee pools of the comparator group.

Table 1: NED Fee Pool						
	Sanford	Market data				
		25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	Average	Sample size
Total NED fee pool	<b>700,000</b>	570,500	677,400	850,000	716,433	9

Sanford's total NED fee pool is between the median and 75<sup>th</sup> percentile of the comparator group.

## ..2 Recommendations

When developing the recommendations below, we have considered the following factors:

- ▶ The number of Board meetings held compared to the sample
- ▶ Sanford's asset base positions the company at the upper quartile of the comparator group
- ▶ The significant transformation change the organisation is undergoing.

Based on the above factors, these suggest that the current workload of the Sanford Directors is higher than that expected of other Directors in organisations of a similar size and scope. In our view, a 75<sup>th</sup> percentile fee position for both base fees and committee fees is justified for Sanford versus the comparator group.

Sanford do not have a history of increasing fees on an annual basis. Therefore on our understanding of the current company strategy and Director workloads, together with the proposed structure of the Board and its Committees, our recommended fee structure is set out on the following page.

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Table 2: Recommended fee increases			
Role	Sanford's current practice (\$)	Recommended fee (\$)	Increase (%)
Chair Base Fee	150,000	180,000	20%
Deputy Chair Base Fee	-	112,500 - 135,000	-
NED Base Fee	85,000	90,000	6%
<b>Committee Fees</b>			
Audit and Finance Committee - Chair	20,000	20,000	-
Audit and Finance Committee - Member	10,000	14,000	40%
People Committee Chair	14,000	14,000	-
People Committee Member	7,000	10,000	43%
Health & Safety and Regulatory Compliance Committee - Chair	15,500	15,500	-
Health & Safety and Regulatory Compliance Committee - Member	7,750	8,500	10%
Innovation/Marketing Committee Chair	-	12,000 - 15,500	-
Innovation/Marketing Committee Member	-	6,000 - 8,500	-

### 1.2.1 Aggregate fee pool

The current available fee pool is \$700,000. The remuneration and other benefits, excluding reimbursements, received by the NEDs of Sanford during 2017/18 was \$673,875.

We understand that the current fee pool has not been increased for three years. If the above recommendations are adopted, the fees paid to directors would exceed the current \$700,000 fee pool.

We therefore recommend that the fee pool is increased to **\$965,000**, allowing Sanford to introduce the Deputy Chair role (which we understand from Sanford they are considering) and an Innovation/Marketing Committee if required, or to allow for effective transitions/overlap in times of Director succession. Increasing the fee pool to \$965,000 will ensure that Sanford's headroom equates to approximately 1.6x the proposed NED base fee.

Thank you for the opportunity to assist Sanford with this assignment.



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