

Goodwood Capital Limited

Governance Code

Date adopted: 27 October 2020

Version: 1

INTERPRETATION

In this Code:

- *Act* means the Financial Markets Conduct Act 2013
- *Board* means the board of directors of the company
- *CEO* means the chief executive officer of the company
- *Chairperson* means the chair of the board
- *Code* means this Governance Code
- *Company* means Goodwood Capital Limited
- *Listing Rules* mean the listing rules of the NZX market
- *Management* means the management personnel of the company
- *Secretary* means the board secretary or the person normally exercising the functions of a board secretary
- *Shareholders* means the shareholders of the Company, and *Shareholder* means any one of them.

GOODWOOD CAPITAL LIMITED GOVERNANCE CODE

The Board of Goodwood Capital Limited has adopted the following Governance Code. This Code outlines the governance principles and guidelines in place to assist the Board in achieving its objective for the Company. The Board annually reviews the Code and reports to Shareholders on implementation of the principles and guidelines of the Code and on any significant departures from the principles and guidelines.

1 NZX CORPORATE GOVERNANCE PRINCIPLES (as at 1 January 2020)

1.1 Code of ethical behaviour

The Board will set high standards of ethical behaviour, model this behaviour and hold Management accountable for these standards being followed throughout the Company.

1.2 Board composition and performance

The Board will have a balance of independence, skills, knowledge, experience and perspectives.

1.3 Board committees

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

1.4 Reporting and disclosure

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

1.5 Remuneration

The remuneration of directors and executives of the Company will be transparent, fair and reasonable.

1.6 Risk management

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

1.7 Auditors

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

1.8 Shareholder rights and relations

The Board will respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the Company.

2 **ROLE OF THE BOARD**

2.1 **Role of the Board**

The Board is responsible for directing the Company and enhancing its value for Shareholders in accordance with good governance principles. The Board recognises that the quality with which it performs its functions is an integral part of the performance of the Company and that there is a strong link between good governance and performance.

2.2 **Company's Objective**

The objective of the Company is to generate growth, corporate profit and Shareholder gain.

2.3 **Direction of Company**

In pursuing this objective, the role of the Board is to assume accountability for the success of the Company by taking responsibility for the direction and management of the Company.

2.4 **Main Functions of the Board**

The main functions of the Board are to:

- (a) approve, and from time to time review, the Company's corporate mission statement;
- (b) select and (if necessary) replace the CEO;
- (c) ensure that the Company has adequate Management to achieve its objectives and to support the CEO and that a satisfactory plan for Management succession is in place;
- (d) review and approve the strategic, business and financial plans prepared by Management and to develop a depth of knowledge of the Company's business to understand and question the assumptions upon which such plans are based and to reach an independent judgment on the probability that such plans can be achieved;
- (e) review and approve individual investment and divestment decisions which the Board has determined should be referred to it before implementation;
- (f) review and approve material transactions not in the ordinary course of the Company's business;
- (g) approve the appointments by, or at the request of, the Company (including its affiliates) to the boards of directors of subsidiary and associate companies;
- (h) monitor the Company's performance against its approved strategic, business and financial plans and to oversee the Company's operating results on a regular basis so as to evaluate whether the business is being properly managed;
- (i) ensure ethical behavior by the Company, the Board and Management, including compliance with the Company's Constitution, the relevant laws, Listing Rules and regulations and the relevant auditing and accounting principles;
- (j) implement and from time to time review the Company's Code of Ethics, foster high standards of ethical conduct and personal behavior and hold accountable

those directors, managers or other employees who engage in unethical behaviors;

- (k) ensure the quality and independence of the Company's external audit process; and
- (l) assess from time to time its own effectiveness in carrying out these functions and the other responsibilities of the Board.

2.5 **Chief Executive Officer**

The Board appoints a CEO who is responsible for the management of the Company in accordance with the strategies approved by the Board.

2.6 **Board Relationship with CEO**

The Board acknowledges that its key role is to provide high level counsel to the CEO, to constantly monitor the performance of the CEO against the Board's requirements and expectations and to take timely action if the objective of the Company is not being achieved or a correction to Management is required.

3 **COMPOSITION OF THE BOARD**

3.1 **Board Skills**

The Board should always comprise members whose skills, experience and attributes together reflect diversity, balance, cohesion and match the demands facing the Company.

3.2 **Appointments to the Board**

Every new appointment to the Board is considered and decided by the Board as a whole considering the range of relevant skills and experience a potential new director may offer the Board and his or her ability to fully commit the time needed to be effective as a director of the Company. A director appointed by the Board must submit himself or herself for reappointment by Shareholders at the next annual meeting following his or her appointment.

On appointment to the Board, a director will be given a copy of this Code, any induction training determined by the Board as to the responsibilities of the directors and a comprehensive appointment letter covering the role of the Board, the Board's expectations of the director and any terms of his or her appointment.

3.3 **Board Membership**

In addition to the requirements under the Listing Rules, the Board has adopted the following guidelines for Board membership:

- (a) The minimum number of directors shall be 3 and the maximum number of directors 6.
- (b) The Board shall maintain at least a minimum number of two directors who are ordinarily resident in New Zealand, with a majority of the directors being independent directors (as defined by the Listing Rules).
- (c) No person (other than a director retiring at the meeting) shall be elected as a director at a meeting of Shareholders unless that person has been nominated by a Shareholder entitled to attend and vote at the meeting. The closing date for nominations shall be not more than two months before the meeting at which the election is to take place. The Company shall release (as defined in the Listing Rules) the closing date for nomination at least 10 business days

prior to the closing date. There shall be no restriction on the persons who may be nominated as directors nor shall there be any precondition to the nomination of a director other than compliance with the time limits in accordance with this clause. Notice of every nomination shall be given by the Company to all persons entitled to attend the meeting together with or as part of the notice of meeting.

- (d) A person must not be appointed a director of the Company unless he or she has consented in writing to be a director and certified that he or she is not disqualified from being appointed or holding office as a director of the Company.
- (e) Other than those directors holding office pursuant to the provisions of the Act or this Constitution, all directors of the Company must be appointed by an ordinary resolution of the Shareholders.
- (f) A Board member should not have any significant conflict of interest that is potentially detrimental to the Company, including:
 - (i) affiliations with competitors of the Company; and
 - (ii) affiliations with parties that are likely to be a regular counter-party to a transaction with the Company. In practice, however, such conflicts may arise in the course of a director's tenure and procedures for dealing with these situations are contained in this Code.
- (g) Control rights of Shareholders (board representation) should, where possible, be aligned to cash flow rights (share ownership). Therefore, significant Shareholders or Shareholder groups should be represented on the Board. Nevertheless, the Board will continue to ensure that a majority of the directors will be independent directors.
- (h) The Board seeks diversity in the skills, attributes and experience of its members across a broad range of criteria so as to represent the diversity of Shareholders, business types and regions in which the Company operates.
- (i) No director shall hold office (without re-election) past the third annual meeting following that directors' appointment or 3 years, whichever is longer (noting that directors appointed by the Board must not hold office (without re-election) past the next annual meeting following that directors' appointment);
- (j) the Board elects a Chairperson (noting that the Chair and the CEO should not, where practical, be the same person) who can be replaced by it at any time.

4 **INDEPENDENCE DEFINITION**

4.1 **Independence**

Factors which the Board will take into account when considering whether a director is regarded as having a relationship that may compromise his or her ability to act independently from Management, are:

- (a) being currently, or within the last three years, employed in an executive role of the Company or any of its subsidiaries, and whether there has not been a period of at least three years between ceasing such employment and serving on the board;

- (b) currently, or within the last 12 months, holding a senior role in a provider of material professional services to the Company or any of its subsidiaries;
- (c) a current, or within the last three years, material business relationship (e.g. as a supplier or customer) with the Company or any of its subsidiaries;
- (d) a substantial product holder of the issuer, or a senior manager of, or person otherwise associated with, a substantial product holder of the Company;
- (e) a current, or within the last three years, material contractual relationship with the Company or any of its subsidiaries, other than as a director;
- (f) having close family ties with anyone in the categories listed above; and
- (g) having been a director of the Company for a length of time that may compromise independence.

4.2 **Procedures**

A director must declare to the Board any relationship that might compromise his or her ability to act independently from management or any conflicts of interest that are potentially detrimental to the Company. As soon as reasonably practicable thereafter the Board, or a committee of the Board established for the purpose, will meet to review the relationship or conflict and determine a process to deal with the issue.

4.3 **Business Relationships to be disclosed**

Before accepting appointment to the Board, and thereafter as they occur, a director is required to disclose to the Board all his or her business relationships. This should be done through an Interests Register which is updated at each Board meeting.

4.4 **Openness to Review**

In considering new appointments to the Board, the Board shall take such steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically examine its performance.

4.5 **Annual Report**

The Company's annual report will include information about each director including a profile of experience, the length of each director's service, whether or not that director is independent and each director's ownership interests, and director attendance at board meetings.

5 **ROLE OF THE CHAIRPERSON**

5.1 **Chairperson**

The Board elects a Chairperson whose primary responsibility is the efficient functioning of the Board.

5.2 **Chairperson's Responsibilities**

The Chairperson is responsible for coordinating the activities of the Board and has the following specific responsibilities:

- (a) to conduct meetings of the Board and of Shareholders;
- (b) to schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of the Company's business;

- (c) to prepare, in consultation with the CEO, other directors and Committee chairpersons, the agendas for the Board and Committee meetings;
- (d) to define the quality, quantity and timeliness of the flow of information between Management and the Board;
- (e) to ensure that issues raised, or information requested, by any director are responded to promptly and as fully as possible;
- (f) to approve, in consultation with the Board, the retention of consultants who report directly to the Board;
- (g) to foster a constructive governance culture and assist the Board and Management in assuring compliance with and implementation of this Code and to be principally responsible for recommending revisions thereto;
- (h) to promote and maintain the independence of the Board from Management;
- (i) to be principally responsible for evaluating the CEO's performance and to meet with the CEO to discuss the Board's requirements and expectations and the evaluation of the CEO's performance by the board; and
- (j) to ensure that rigorous, formal processes for evaluating the performance of the Board, Board Committees and individual directors are in place and lead these processes.

5.3 **Meetings of the Board**

The Chairperson is responsible to ensure that Board meetings are sufficiently well-planned and conducted in a manner that ensures the most effective and efficient use of Board time and energy. The Chairperson takes particular responsibility for leading the Board and setting the tone for the conduct of its meetings and the way in which issues are debated. The Chairperson is responsible to ensure that adequate minutes of the proceedings of meetings of the Board are taken.

5.4 **Relationship with CEO**

The Chairperson is responsible for establishing a close working relationship with the CEO and acting as his or her mentor (noting that the Chair and the CEO should not, where practical, be the same person).

6 **DIRECTOR EMPOWERMENT ASSURANCE**

6.1 **Empowerment**

The Board recognises that the way in which it functions impacts on how well the Board performs its role as steward of the Company. Accordingly, the Board has in place procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each director is fully empowered to perform his or her duties as a director of the Company and to fully participate in meetings of the Board.

6.2 **Meetings without CEO**

The Board meets without the CEO at least once a year when the performance, evaluation and remuneration of the CEO and Management are reviewed.

6.3 **Attendance at Meetings**

Directors are expected to attend all Board meetings and when this is not possible directors can join the meeting by means of audio communication. In circumstances

where a Board member is unable to attend, apologies must be given to the Chairperson.

6.4 **Convening of Meetings**

Board meetings are normally convened by the Chairperson. Any director may request the Chairperson or the Secretary to convene a meeting. Notice of a meeting must be given to all directors in accordance with the Company's constitution.

6.5 **Agenda for Meetings**

The agenda for normal Board meetings is determined by the Chairperson. Where a director has requested a meeting, the agenda will be as specified by that director. Board members are encouraged to submit items for inclusion in the agenda. In addition, each Board meeting has a general business item under which directors may raise issues.

6.6 **Information to Directors**

The Board recognises that appropriate information, provided on a timely basis, is essential to the effective discharge of its duties. The Chairperson and the CEO are responsible for ensuring appropriate Board papers (including any financial reports), that identify and fairly address the key issues concerning the Company, are prepared and distributed to Board members in a format and at a time that allows directors to be fully informed on the affairs of the Company and to properly prepare for discussion at Board meetings.

6.7 **Availability of Management**

The Chairperson, in consultation with the CEO, is responsible to ensure the availability of the CEO and Management when required by the Board.

6.8 **Passing of Resolutions**

A resolution of the Board is passed at a Board meeting (or by written resolution signed or assented to, as per the Company's constitution) by the agreement of a majority of the votes cast on it. In the case of an equality of votes the Chairperson does not have a casting vote.

6.9 **Evaluation of Information**

The Board evaluates the format of the information it receives at least annually.

6.10 **Performance Criteria**

The Board establishes and reviews from time to time performance criteria for itself and reviews its performance against those criteria at least annually. The Chair of the Board is responsible for ensuring these reviewed are undertaken.

6.11 **Relationship with Management**

The Board recognises that all directors should have access to the CEO and senior management. Each director acknowledges that the division of responsibility between Board and Management must be respected. The Board reviews its relationship with Management annually.

6.12 **Independent Advice**

A director may obtain independent advice at the expense of the Company on issues related to the fulfillment of his or her duties as a director, subject to obtaining the approval of the Audit, Finance and Risk Management Committee prior to the incurrance of any advisory fees.

6.13 **Indemnities by Company**

The Company indemnifies a director upon joining the Board to the extent provided in Subpart 8 of the Act and it also indemnifies persons who undertake directorships of other companies at the request of the Company.

6.14 **Insurance by Company**

The Company effects director and officer's liability insurance cover for the benefit of directors and Management.

7 **DIRECTOR RESPONSIBILITIES**

7.1 **Directors Principal Duties**

The directors are committed to the proper and responsible fulfillment of their duties to the Company and to the Shareholders. In particular, the directors are mindful of their duties contained in the Act, the Company's Constitution and the Listing Rules which include the following:

- (a) a director must ensure proper attention is given to company matters;
- (b) a director, when exercising powers or performing duties, must act honestly and in the best interests of the Company;
- (c) a director must ensure that he or she has appropriate training to be a director;
- (d) a director must exercise a power for a proper purpose;
- (e) a director must not act, or agree to the Company acting, in a manner that contravenes the law or the Constitution;
- (f) a director must not:
 - (i) agree to the business of the Company being carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors; or
 - (ii) cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors;
- (g) a director must not agree to the Company incurring an obligation unless the director believes at that time, on reasonable grounds, that the company will be able to perform the obligation when it is required to do so; and
- (h) a director when exercising powers or performing duties as a director, must exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation:
 - (i) the nature of the Company;
 - (ii) the nature of the decision; and
 - (iii) the position of the director and the nature of the responsibilities undertaken by him or her.

7.2 **Delegation by the Board**

The Board may delegate any of its powers (other than certain powers specified in the Companies Act 1993). However, whenever the Board delegates a power the Board remains responsible for the exercise of the power by the delegate, unless the Board:

- (a) believed on reasonable grounds that the delegate would exercise the power in conformity with the duties imposed on directors by the (Companies Act 1993) and the Constitution; and
- (b) has monitored, by means of reasonable methods properly used, the exercise of the power by the delegate.

7.3 **Reliance on Information**

A director may rely on information, financial data and professional or expert advice given by any of the following:

- (a) an employee of the Company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) a professional advisor or expert in relation to matters which the director believes on reasonable grounds to be within the person's competence; or
- (c) any other director or committee of directors upon which the director did not serve in relation to matters within the director's or committee's delegated authority.

A director may only rely on others, as described above, if the director:

- (i) acts in good faith;
- (ii) makes proper enquiry where the need for enquiry is indicated by the circumstances; and
- (iii) has no knowledge that such reliance is unwarranted.

7.4 **Confidentiality of Company Information**

A director must not use, take advantage of, act on, or otherwise deal with, the assets, property or confidential information of the Company and its subsidiaries, except:

- (a) for the purposes of the Company or its subsidiaries;
- (b) as required or permitted by law; and
- (c) in complying with the director's obligation to disclose his or her interest in a transaction with the Company.

7.5 **Authorised Disclosure of Information**

A director may disclose information to a person whose interests the director represents, and may disclose, make use of, or act on information if:

- (a) particulars of the disclosure, use, or act are entered in the Interests Register; and
- (b) the disclosure, use, or act will not be likely to prejudice the Company.

7.6 **Financial Products Trading Policy and Guidelines**

The Board of the Company has implemented a formal procedure to handle the trading in the Company's listed securities by directors and employees and advisers of the Company and any subsidiaries. All directors, officers, employees, contractors and advisers of the Company and any subsidiaries must comply with the procedures set out in the Financial Products Trading Policy and Guidelines which apply as at the date of the adoption of this Governance Code.

7.7 **Inside Information**

If a director has inside information on the Company (or another public issuer) he or she must not trade in, or tip others to trade in, the securities of the Company (or another public issuer).

7.8 **Resigning Director**

A director who resigns before the expiry of his or her term will identify to the Board his or her reasons for early retirement.

8 **CONFLICTS OF INTEREST**

8.1 **General Conflicts**

A director should not have any significant conflict of interest that is potentially detrimental to the Company, including:

- (a) material affiliations with competitors of the Company;
- (b) material affiliations with parties that are likely to be a regular counterparty to a transaction with the Company;

in either of these events a director should consider their ongoing role on the board.

8.2 **Disclosure of Interest**

A director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest and record it in the Interests Register.

8.3 **Participation at Meetings**

A director who is interested in a transaction with the Company may attend and participate at a Board meeting at which the transaction is discussed. However, such a director is not counted in the quorum and may not vote in respect of the transaction, unless it is one in respect of which directors are expressly required by the Act to sign a certificate.

8.4 **Interests Register**

The Board maintains an Interests Register in which are entered the required disclosures made by directors in respect of matters relating to the Company. Entries in the Interests Register are updated at every Board meeting and are disclosed in the next annual report.

8.5 **Acting at Arms-length**

A director who, either directly or indirectly, provides goods or services to the Company or an affiliate of the Company must act on an arms-length basis and not use his or her position as a director to influence commercial decisions by the Company or the affiliate.

9 COMMITTEES OF THE BOARD

9.1 Purpose of Committees

The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However, the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities. Proceedings of the Committees are to be reported back to the Board to allow directors to question Committee members.

9.2 Exclusive Board Matters

Issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans are dealt with directly by the Board.

9.3 Committees of the Board

The Board has constituted two standing Committees, being the Audit, Finance and Risk Committee and the Remuneration, Nomination and Health & Safety Committee.

From time to time the Board may constitute an ad hoc Committee to deal with a particular issue facing it which requires specialist knowledge and experience.

9.4 Composition of Committees

Each standing Committee comprises at least two directors and the CEO may act as an additional member of the Audit, Finance and Risk Management Committee. The alternate of a director may take the place of that director on either committee where required.

9.5 Chair of Committees

Each standing Committee must be chaired by a director other than the Chairperson, where the board has sufficient directors (5 or more) to make this practical.

9.6 Attendance at Meetings

To be fully informed on the matters for consideration a Committee member may require the attendance of any of the CEO, Management, the Company's auditors and advisers.

9.7 Review of Committees by Board

The Board will regularly review the performance of the Audit, Finance and Risk Committee in accordance with its charter.

9.8 Publication of Committee members

The Board will identify the members of the Audit, Finance and Risk Committee in the Company's annual report.

9.9 Audit, Finance and Risk Committee

The Audit, Finance and Risk Management Committee is responsible for:

- (a) monitoring all aspects of the external audit of the Company's affairs including:
 - (i) considering the appointment of the auditors, the audit fee and any issues on their resignation or dismissal;
 - (ii) discussing with the auditors, before the commencement of each audit, the nature and scope of their audit;
 - (iii) reviewing the auditors service delivery plan;

- (iv) reviewing the Company's letter of representation to the auditors; and
 - (v) discussing with the auditors any problems, reservations, or issues arising from the audit and referring matters of a material or serious nature to the Board;
- (b) reviewing the half year and annual financial statements, and any other financial statements to be released by the Company, before submission to the Board, focusing particularly on:
- (i) any change in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments;
 - (iv) the solvency of the Company;
 - (v) the going concern assumption;
 - (vi) compliance with accounting standards; and
 - (vii) compliance with legal stock exchange and other regulatory requirements;
- (c) reviewing any non-routine statements to be issued by the Company;
- (d) regularly reviewing the Company's internal controls and systems;
- (e) monitoring and regularly reviewing the authorities, delegations and procedures under which the Company may be committed;
- (f) considering the findings of any internal investigations and Management's response thereto;
- (g) monitoring compliance by the Company with its Constitution, applicable laws and regulations and stock exchange requirements;
- (h) promoting integrity in all aspects of the Company's financial reporting; and
- (i) establishing and regularly reviewing a procedure to identify other situations or circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or the CEO.

9.10 **Audit, Finance and Risk Committee Procedure**

In carrying out the responsibilities the Audit, Finance and Risk Committee will:

- (a) meet at least once a year with the auditors and, for part of such meeting, without the CEO or Management being present;
- (b) convene a meeting if the auditors so request;
- (c) communicate the outcome of the meeting to the Chairperson as soon as practicable after the meeting;

- (d) regularly report to the Board on the operation of the Company's risk management and internal control processes; and
- (e) provide sufficient information to the Board to allow the Board to report annually to Shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company.

9.11 Audit, Finance and Risk Management Committee Charter

The Audit, Finance and Risk Committee shall produce a written charter that outlines the Audit, Finance and Risk Committee's authority, duties, responsibilities and relationship with the Board. The Audit, Finance and Risk Committee charter shall be readily available to Shareholders. The Audit, Finance and Risk Committee is bound by the Charter in place as at the date of the adoption of this Governance Code.

9.12 Composition of the Audit, Finance and Risk Management Committee

The Audit, Finance and Risk Committee shall comprise all non-executive directors (with an overall minimum of three directors), a majority of independent directors and at least one director who is a chartered accountant or has another recognised form of financial expertise. The chair should not have a long-standing association with the audit firm retained as a current, or retired, audit partner or senior manager at the firm.

9.13 Nominations, Remuneration and Health & Safety Committee

The Nominations, Remuneration and Health & Safety Committee is responsible for ensuring that the Company has appropriate employment practices including:

- (a) reviewing and advising the Board on the terms of appointment and remuneration of employees of the Company and its subsidiaries including executive directors;
- (b) overseeing and recommending remuneration policy and practices across the group for consideration by the Board and making recommendations to the Board on the remuneration of non-executive directors;
- (c) reviewing working environments and succession planning for Management;
- (d) reviewing the terms of the employment arrangements with Management so as to develop consistent group-wide employment practices subject to regional differences;
- (e) advising the Board on the remuneration of its members, the CEO and senior management;
- (f) recommending director appointments to the Board; and
- (g) establishing a formal and transparent process for the nomination and appointment of directors.

9.14 Remuneration, Nomination and Health & Safety Committee

The Nominations, Remuneration and Health & Safety Committee shall produce a written charter that outlines the Nominations and Remuneration Committee's authority, duties, responsibilities and relationship with the Board. The Remuneration, Nomination and Health & Safety Committee shall be readily available to Shareholders. The Remuneration, Nomination and Health & Safety Committee is bound by the Charter in place as at the date of adoption of this Governance Code.

9.15 **Composition of Nominations, Remuneration and Health & Safety Committee**

The Nominations and Remuneration Committee shall comprise a majority of independent directors.

9.16 **Minutes**

Minutes of the proceedings of every Committee meeting shall be taken and circulated to each member of the Board.

10 **EXTERNAL AUDIT POLICY**

10.1 **Appointment of Auditors**

The auditors of the Company shall be appointed on professional merit and must satisfy the definition of *qualified auditor* as defined in the Listing Rules.

10.2 **Independence of Auditors**

The Audit, Finance and Risk Committee and Board should be satisfied prior to the appointment of the Company's auditors that there is no relationship between the proposed auditors and the Company or any related person that could compromise the independence of the auditors and have received written confirmation to that effect from the auditors.

10.3 **Full and Frank Dialogue**

The Board recognises the importance of and shall facilitate full and frank dialogue among the Audit, Finance and Risk Committee, the auditors and Management.

10.4 **Rotation of Audit leader**

The auditors' lead and engagement audit partners should be rotated after a maximum of five years such that no such persons shall be engaged in an audit of the Company for more than five consecutive years.

10.5 **Report on Audit Fees**

The Board shall annually report to Shareholders and stakeholders on the amount of fees paid to the auditors for both audit and non-audit work and shall separately identify fees paid for each category of non-audit work.

10.6 **Report on Non-Audit work**

The Board shall state in the annual report:

- (a) what non-audit work (if any) was undertaken by the auditors and why this did not compromise the independence of the auditors;
- (b) how the Board has satisfied themselves on auditor quality and effectiveness;
- (c) the approach taken to tenure and reappointment of auditors;
- (d) any identified threats to auditor independence and, if so, how this threat has been mitigated.

11 **REMUNERATION POLICY**

11.1 **Alignment of Interests with Shareholders**

The Board promotes the alignment of the interests of the directors, the CEO and Management with the long-term interests of Shareholders.

11.2 **Review Process**

The Board shall annually review and recommend changes to remuneration structure and policy within the Company. The Board shall annually review the remuneration packages of the Chairperson, the directors, the CEO and Management, and shall review the remuneration packages of directors at least every second year.

11.3 **External Advisers**

In reviewing the remuneration proposed for directors, the CEO and Management, the Board may seek external advice from a recognised and competent source, including an evaluation against comparable peer groups.

11.4 **Remuneration levels**

The Board has a policy that executives, executive directors and non-executive directors should receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.

11.5 **Executive and Non-Executive remuneration**

The Board recognises that it is desirable that executive (including executive director) remuneration should include an element dependent upon the performance of both the Company and the individual, and should be clearly differentiated from non-executive director remuneration.

11.6 **Retiring Director Remuneration**

No special remuneration will be paid to a retiring director without the authority of an ordinary resolution of Shareholders, except as permitted by the Listing Rules.

11.7 **Annual Report**

The remuneration policies of the Company and the remuneration received by directors will be disclosed in each annual report.

12 **THE CHIEF EXECUTIVE OFFICER**

12.1 **Responsibilities of CEO**

The CEO is the senior executive of the Company and is responsible for:

- (a) formulating the vision for the Company;
- (b) recommending policy and the strategic direction of the Company for approval by the Board;
- (c) providing management of the day to day operations of the Company; and
- (d) acting as the spokesperson of the Company.

12.2 **No Appointment as Chairperson**

The CEO is not eligible to be appointed as the Chairperson. A Chairperson may, however, assume the post of CEO concurrently on a temporary basis when the post of CEO is vacant, for a period not longer than six months. After the initial period of six months, if a CEO has not been appointed, the Board may extend the Chairperson's CEO post for another maximum period of six months.

12.3 **Independence of the Board**

The CEO undertakes to respect the independence of directors so as to permit the Board to challenge management decisions objectively and evaluate corporate performance.

12.4 **Other Boards**

The CEO will not accept appointment to the board of other companies except for family companies and/or directorships undertaken at the request of the Company where the Company has a significant interest, except with the consent of the Board.

12.5 **Disclosure**

The period of the CEO's employment contract will be disclosed in each annual report.

13 **SHAREHOLDER PARTICIPATION**

13.1 **Constitution**

The rights of Shareholders are referred to in the Companies Act 1993, the Listing Rules and the Company's Constitution which is available to all Shareholders.

13.2 **Board Accountable to Shareholders**

The Board is appointed by, and accountable to, Shareholders.

13.3 **Reports to Shareholders**

The Board values the opportunity to give comprehensive yet accessible interim and full year reports to Shareholders and to meet with them annually.

13.4 **Annual Meeting**

The Board recognises that the annual meeting is an important forum at which Shareholders can meet with the Board and it encourages Shareholders to use the forum to ask questions and make comments on the performance of the Company.

13.5 **Directors Attendance**

In usual circumstances all directors will attend the annual meeting.

13.6 **Notice of Meeting**

The Board will endeavour to release all notices of meeting at least 20 business days prior to the date of the meeting, where practical.

13.7 **Questions from Shareholders**

The Board welcomes input from Shareholders and encourages Shareholders to submit questions in writing prior to the annual meeting so that an informed answer can be given at the meeting. The Board will ensure that the Company's external auditors are available for questioning by Shareholders at the annual meeting.

13.8 **Questions not fully Answered**

Questions which are not fully answered at a meeting will be replied to in writing as soon as practicable after the meeting subject to the Company's confidentiality obligations to third parties.

13.9 **Company website**

The Board recognises that maintaining an up-to-date website is an important way in which Shareholders can readily access key information (including annual reports) about the Company.

14 **REPORTING AND DISCLOSURE**

14.1 **Annual Report**

In addition to all information required by law, the Board acknowledges that the Company's annual report should include sufficient meaningful information to enable Shareholders and stakeholders to be well informed on the affairs of the Company,

including all information recommended for disclosure by the NZX Corporate Governance Code.

14.2 **Financial Reports**

The CEO, Chief Financial Officer (or equivalent officers) and at least one director of the Company shall certify in the published financial reports of the Company that the reports comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Company.

14.3 **Continuous Disclosure**

The Chief Financial Officer shall be responsible for the Company's compliance with statutory and NZX continuous disclosure requirements and the Board shall be advised of, and consider, continuous disclosure issues at each Board meeting.

14.4 **Code of Ethics**

The Board recognises that high ethical standards and behaviors are central to good corporate governance. The Code of Ethics should be published and available to all directors, staff and shareholders.

14.5 **Takeover Response Policy**

The Board is well prepared in the event of a takeover. If the Company receives a takeover notice or any director becomes aware that a takeover notice or scheme of arrangement proposal is imminent:

- (a) all directors, the CEO and Chief Financial Officer should be advised immediately in confidence;
- (b) the Company shall promptly release to NZX an appropriate announcement reflecting the circumstances. The Board will consider seeking a trading halt if considered necessary to ensure an orderly market pending release of an announcement;
- (c) if the Board considers it desirable, it may establish a sub-committee comprised of non-interested directors which will have authority to make binding decisions in respect of the process, including but not limited to:
 - (i) retaining legal and financial advisers;
 - (ii) appointing an independent adviser for the purposes of the Takeovers Code; and
 - (iii) approving any announcements or communications relating to the potential transaction.

If the Board does not establish a sub-committee, the Board will be responsible for all matters relating to the Company's response to the potential transaction.

- (d) the Board will comply with all legal and regulatory obligations including the Listing Rules, the Companies Act 1993, the Financial Markets Conduct Act 2013 and the Takeovers Code;

- (e) the Company and each director will keep a record of all expenses incurred in response to a takeover bid, to enable the Company to seek recovery from the offeror under section 49 of the Takeovers Act 1993;
- (f) The Board will remain committed to obtaining the maximum value for shareholders through consideration of credible alternatives; and
- (g) The Board will engage in full communication with all shareholders with updated information provided as soon as practical and in accordance with the Company's Continuous Disclosure Policy

14.6 **BREACHES OF POLICY**

Directors are expected to adhere to the principles recorded in this document (including the appendices) and may be subject to disciplinary action for breach of any of the Company's governance policies. All Directors have a positive obligation to report any breaches of the Company's governance policies to the Chairperson in the first instance. In the case of breach by the Chairperson, the breach must be reported to the Deputy Chairperson.

Any decision regarding whether to take action with respect to the breach of the Company's governance policies will be made by a subcommittee of the Board created to take action against breaches of the Company's governance policies. All suspected breaches will be thoroughly investigated by the subcommittee. In the case of material or wilful breaches, the subcommittee has the power to, amongst other things, request that the director resign from office or call a meeting of shareholders to request the director's removal from office.

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