

Board Charter

Status:	Final
Version:	1.3
Policy Owner:	Board of Directors
Policy Approver:	Board of Directors
Date Approved:	28/09/2020
Next Review Date	28/09/2021

Board Charter

Part 1 – Interpretation

In this charter:

- *Act* means the Companies Act 1993
- *Board* means the board of directors of the company
- *Business* means the business of the company
- *CEO* means the chief executive officer of the company
- *Chair* means the chair of the board
- *Company* means Dairy Farms NZ Limited
- *Management* means the management personnel of the company
- *Management limitations* means the limitations on the actions of management as set out in Part 4
- *Members* means members of the board
- *Shareholders* means the shareholders of the company.

Part 2 – Company goals

General

The purpose of the company is to provide a pure dairy farming investment vehicle to allow investors the opportunity to access a combination of cash-on-cash returns and the likely long-term capital growth afforded by the sector.

Specifically, the company intends to purchase and manage dairy farms in key dairy regions of New Zealand. DFNZ uses the herd-owning sharemilker model and targets a long term, conservative capital structure and to pay dividends to shareholders. DFNZ intends to become listed on NZX as part of its growth strategy, and aims to be well respected for the way it manages its farms.

The capital and resources of the company will be allocated to those assets and activities which will enable it to achieve the company goals in a manner best serving the interests of the shareholders as a whole.

Part 3 – Board governance process

A. Role of the board

The role of the board is to effectively represent and promote the interests of the company and shareholders, with a view to adding long-term value to the company's shares. The board and directors are required to act in the best interests of the company. Having regard to its role, the board will direct and supervise the management of the business and affairs of the company including, in particular:

- ensuring that the company goals are clearly established, and strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management);
- establishing policies for strengthening the performance of the company including ensuring that management is proactively seeking to build the business through innovation, initiative, technology and the development of its business capital;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment with the company;
- deciding on whatever steps are necessary to protect the company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring the company's financial statements are true and fair and otherwise conform with law;
- ensuring the company adheres to high standards of ethical and corporate behaviour;
- ensuring the company has appropriate risk management/regulatory compliance policies in place.

In the normal course of events, day-to-day management of the company will be in the hands of management.

The board will satisfy itself that the company is achieving the company goals.

B. The board's relationship with shareholders

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

C. The board's relationship with other stakeholders

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

D. Board procedures

The conduct of members will be consistent with their duties and responsibilities to the company and, indirectly, to shareholders. The board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Members will always act within any limitations imposed by the board on its activities.

Members will use their best endeavours to attend board meetings and to prepare thoroughly. Members are expected to participate fully, frankly and constructively in board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the board table. Members unable to attend a meeting will advise the chair at the earliest date possible and subsequently will confirm in writing prior to the meeting. Where possible members will send through key commentary and questions to the chair, prior to the meeting they are unable to attend.

Board discussions will be open and constructive, recognising that genuinely-held differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The chair will, nevertheless, seek a consensus in the board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the board to the contrary, or disclosure is required by law.

Subject to legal or regulatory requirements the board will decide the manner and timing of the publication of its decisions.

The board has sole authority over its agenda and exercises this through the chair. Any member may, through the chair, request the addition of an item to the agenda. The agenda will be set by the chair in consultation with the CEO.

The board will normally hold meetings in every second month of the year at a minimum and will hold additional meetings as the occasion requires. Board papers summarising financial and operation performance will be circulated for consideration for months when a meeting is not held (but need not contain all of the information that would be considered at a normal meeting). At each normal meeting the company's interest's register will be updated as necessary and the board will consider:

- a health and safety report from the CEO;
- an operational report from the CEO;
- a report from the chief financial officer;
- specific proposals for capital expenditure and acquisitions;
- major issues and opportunities for the company.

In addition, the board will, at intervals of not more than one year:

- review the company goals;
- review the strategies and operating plans for achieving the company goals;
- approve the annual budget;
- approve the annual and half-yearly financial statements, reports to shareholders and public announcements;
- consider and if appropriate, declare or recommend the payment of dividends;
- review the board composition, structure and succession;
- review the company's audit requirements;
- review the performance of, necessity for and composition of board committees;
- undertake board and individual member evaluations;
- review members' remuneration;

- review the CEO's performance and remuneration;
- review remuneration policies and practices in general including incentive schemes for management;
- review risk assessment policies and controls including insurance covers and compliance with legal and regulatory requirements;
- review the company's code of conduct and ethical standards;
- review shareholder, customer and supplier relations;
- review donations and sponsorships;
- settle the following year's board work plan.

Specifically, regarding health and safety, the majority of significant operational risks occur on-farm and therefore the first point of responsibility is delegated to the Production Committee. The Board retains overall oversight, in particular the responsibility for:

- Ensuring there is evidence the Production Committee is undertaking its health and safety responsibilities;
- Oversight of health and safety risks for the DFNZ Corporate employee team and off-farm aspects such as offices and vehicles;
- Ensuring the full board experience and have the opportunity to inspect the health and safety culture of the organisation (both on- and off-farm) annually;
- Ensuring any changes in legislation relating to health and safety are considered and attended to.

Members are entitled to have access, at all reasonable times, to all relevant company information and to management.

Members are expected to strictly observe the provisions of the Act applicable to the use and confidentiality of company information. In making policy, the board will not reach specific decisions unless it has considered the more general principles upon which they are founded, and in reaching other specific decisions the board will consider the policies against which the decisions are made.

E. Chair

Each year the board will appoint from among the members a chair.

Prior to listing, the board will consider if the chair should be independent.

The chair is responsible for:

- representing the board to shareholders
- ensuring the integrity and effectiveness of the governance process of the board as set out in Part 3
- maintaining regular dialogue with the CEO over all operational matters and will consult with the remainder of the board promptly over any matter that gives him or her cause for major concern.

The chair will act as facilitator at meetings of the board to ensure that no member dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming. The chair will ensure that discussions result in logical and understandable outcomes.

F. Board committees

Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making. Board committees will observe the same rules of conduct and procedure as the board unless the board determines otherwise. Board committees will only speak or act for the board when so authorised. The authority conferred on a board committee will not derogate from the authority delegated to the CEO.

The board has two standing committees, namely the audit and risk, and production committees. The board also has a nomination and remuneration committee, which consists of the entire board. Other committees are formed for specific purposes and disbanded as required.

The purposes and membership of the standing committees are as follows:

The **audit and risk committee** consists of three board members. The committee provides a forum for the effective communication between the board and the external and internal auditors.

In summary, the committee reviews the annual and half-yearly financial statements prior to their approval by the board, the effectiveness of management information systems and systems of internal control, and the efficiency and effectiveness of the external and internal audit functions. The audit and risk committee is governed by the DFNZ Audit and Risk Committee Charter.

The **production committee** consists of two-three board members with the CEO an ex-officio member of the committee. The primary purpose of the Committee is ongoing strategic level review of the productive capacity of the Company's land from a total farm system position. This includes increasing the utilisation and conversion of grass to milk in order to build business profit. The production committee is governed by the DFNZ Production Committee Charter.

G. Board composition and mix

The composition of the board will reflect the duties and responsibilities it has to discharge and perform as representative of the interests of shareholders, and in setting the company's strategy and seeing that it is implemented. Generally, the qualifications for board membership are the ability and intelligence to make sensible business decisions and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, the ability to see the wider picture, the ability to ask the hard questions, preferably some experience in the industry sector, high ethical standards, sound practical sense, and a total commitment to furthering the interests of shareholders and the achievement of the company goals. Board members will remain non-executive and are expected to be active in areas which enable them to relate to the strategies of the company and to make a meaningful contribution to the board's deliberations. The board will create and maintain a skills matrix to enable appreciation of key areas of strength, and awareness and support of potential areas of weakness.

They will be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. A majority of directors will be Independent Directors as defined by NZX listing rules. The size of the board will be such that the common purpose, involvement, participation, harmony and sense of responsibility of the members are not jeopardised. It must be large enough to ensure a range of knowledge, views and experience. Generally, the number of members will be between five and eight of which all will be non-executive.

At inception, DFNZ has two directors from Clavell Capital Limited who have a stated conflict of interest, being promoters and advisers to the company regarding the raising of equity capital. This is expected to continue through key equity-raise phases and is managed carefully in accordance with the Conflict of Interest Policy.

Subject to any limitations imposed by shareholders, it is anticipated that members will hold office initially for three years following their first appointment (or, if appointed by the board between annual

meetings, from the date of the meeting next following the appointment), subject to any obligation to retire by rotation in accordance with the company's constitution

H. Induction of new members

Genuine potential members are encouraged to carry out due diligence on the company before accepting an appointment to the board. On their first appointment, members will have the benefit of an induction programme aimed at deepening their understanding of the company and the business and the environment and markets in which the company operates. As part of the programme, members will receive a folder of essential board and company information and will meet key management.

DFNZ shall enter into a written agreement with new members establishing the terms of their appointment, subject to shareholder approval. This agreement will include expectation of the director in the role, expected time commitment, the term of appointment, remuneration, indemnity and insurance arrangements, a requirement to comply with corporate policies (including this charter, the code of ethics, securities trading policy and conflicts of interest policy), rights of access to corporate information and confidentiality obligations.

I. Director training

Members are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally.

Members are encouraged to participate in quality training sessions provided by relevant bodies (e.g. the Institute of Directors in New Zealand (Inc)) where such courses would further the member's skills in developing areas relevant to DFNZ. Fees for attending courses may be reimbursed by the company provided they were prior approved by the chair.

J. Members' remuneration

The board will determine the level of remuneration paid to members within any limitations imposed by shareholders. Members will be paid a basic fee as ordinary remuneration. Share options may be made available to independent directors prior to IPO, as a component of remuneration. The chair will be paid a level of fees appropriate to their office. Remuneration will be reviewed annually by the board after taking independent advice and will be subject to the terms of the company's constitution.

K. Shareholdings by members in the company

Members are encouraged to hold shares in the company, recognising that this has the capacity, in many cases, to increase the focus of members on company performance and share value and will therefore be in the interests of all shareholders. When buying or selling shares members must strictly observe the provisions of the company's constitution, the company's own internal rules including the Securities Trading Policy and all relevant legislative or regulatory procedures, and should follow any procedural recommendations prescribed from time to time by the Institute of Directors in New Zealand (Inc).

L. Provision of business or professional services by members

Because a conflict of interest (actual or perceived) may be created, members should not, generally, provide business or professional services of an ongoing nature to the company. Notwithstanding the general rule, the company is at liberty to, for the purpose of a special assignment, engage the services of any member having special expertise in the particular field or engage the services of

another member of a member's organisation, so long as the terms of engagement are competitive, clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

M. Other board appointments

Any member is, while holding office, at liberty to accept other board appointments so long as the appointment is not in conflict with the business and does not detrimentally affect the member's performance as a member. All other appointments must first be discussed with the chair before being accepted and will be recorded in an interest register.

N. Independent professional advice

Any member is entitled to obtain independent professional advice relating to the affairs of the company or to his or her other responsibilities as a member. If a member considers such advice is necessary the member shall first discuss it with the chair and, having done so, shall be free to proceed.

Subject to the prior approval of the chair, the cost of the advice will be reimbursed by the company, but the member will ensure, so far as is practicable, that the cost is reasonable.

O. Board and member evaluations

Prior to listing, and bi-annually after listing, the board will critically evaluate its own performance, and its own processes and procedures to ensure that they are not unduly complex and are designed to assist the board in effectively fulfilling its role. Each year (once listed), individual members will be evaluated by a process whereby the board determines questions to be asked of each member about themselves and about each other including the chair, each member answers the questions in writing, and the responses are collected and collated by the chair who then discusses the results with each member. The chair's own position is discussed with the rest of the board. Members will be asked to assess whether appropriate training has been received by directors. The board may choose to use external facilitators from time to time to conduct reviews.

Each board committee shall include in its charter a requirement and process for committee performance review.

P. Indemnities and insurance

Subject to the company's constitution the company will provide members with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as members, to the fullest extent permitted by the Act.

Part 4 Board – Management relationship

A. Position of CEO

The board will link the company's governance and management functions through the CEO. All board authority conferred on management is delegated through the CEO so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the board is concerned. The board must agree to the levels of sub-delegation immediately below the CEO as set out in the DLA (Delegated Levels of Authority) policy. The board will agree with the CEO to achieve specific results directed towards the company goals. This will usually take the form of an annual performance contract under which the CEO is authorised to make any decision and take

any action within the management limitations, directed at achieving the company goals.

Between board meetings the chair maintains an informal link between the board and the CEO, expects to be kept informed by the CEO on all important matters, and is available to the CEO to provide counsel and advice where appropriate. Only strategic decisions of the board acting as a body are binding on the CEO. Strategic decisions or instructions of individual members, officers or committees should not be given to the CEO, other management or staff, and are not binding in any event except in those instances where specific authorisation is given by the board.

The chair of the board and the chair of each board sub-committee is entitled to liaise directly with either the CEO or CFO as required in order to fulfil their operational responsibilities.

B. Accountability of CEO to board

The CEO is accountable to the board for the achievement of the company goals and the CEO is accountable for the observance of the management limitations. At each of its normal two-monthly meetings and each month in between meetings the board should expect to receive from or through the CEO:

- the operational and other reports and proposals referred to above
- such assurances as the board considers necessary to confirm that the management limitations are being observed.

C. Management limitations

The CEO is expected to act within all specific authorities delegated to him or her by the board. The CEO is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics. In allocating the capital and resources of the company the CEO is expected to adhere to the company goals. The CEO is expected to not cause or permit any action without considering the health, safety, environmental, reputational, legal and political consequences and their effect on long-term shareholder value.

In financing the company, the CEO is expected to not cause or permit any action that is likely to result in the company becoming financially embarrassed, and should develop future cashflow reporting and analysis to ensure this doesn't happen. The assets of the company are expected to be adequately maintained and protected, and not unnecessarily placed at risk. In particular, the company must be operated with a comprehensive system of internal control, and assets or funds must not be received, processed or disbursed without controls that, as a minimum, are sufficient to meet standards acceptable to the company's external auditors.

In managing the risks of the company, the CEO is expected to not cause or permit anyone to substitute their own risk preferences for those of the shareholders as a whole (for example, as expressed through a board approved risk management plan). The CEO is expected to not permit employees and other parties working for the company to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.

Review

The board will review and update this policy annually or as otherwise required.