

# Production Committee Charter

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## Production Committee Charter

### 1. Purpose and Objectives

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 on both a short- and long-term sustainable basis. This includes increasing the utilisation and conversion of grass to milk in order to build business profit.

### 2. Membership and Meetings

The Committee will consist of at least two Directors of the Company, with a quorum of two members. Members will be appointed by the Board and will hold office until changed by Board resolution. The Board will appoint the Chair of the Committee. The Production Committee may reappoint the Chair of the Committee in subsequent years. Members of the Committee are expected to have the capacity to devote the required time and attention to prepare for and attend Committee meetings. The CEO will be an ex officio member of the Committee.

At least one member shall have a practical dairy farming background, and all other members should have a working understanding of on farm dairy operations given the specialised functions of the Committee. The Committee will be structured to ensure that, as a collective group, it has the skills, experience and knowledge to fulfil its functions.

The current members of the Committee are:

Richard Townshend (Chair)  
Earl Rattray  
Craig McBeth (ex-officio)

The Committee will conduct not less than four (4) on-farm meetings annually, having regard to the Company's planning and budgeting cycle. Any member of the Committee may request a meeting at any time if they consider it necessary. Meetings may include conference calls.

The Committee will develop an annual schedule of topics for discussion in agreement with the CEO. The Committee will develop not more than three key focus points for the business in any one year. These will become the primary focus of the Committee within that year.

Reasonable notice of meetings and the business to be conducted shall be given to members of the Committee with at least twenty (20) days' notice of meeting dates.

Minutes of all meetings shall be kept by a minute taker nominated by the Chair. After each Committee meeting, the Chair shall report the Committees findings and recommendations to the Board.

Prior to full board meetings the Committee will meet by conference call (unless circumstances allow an in-person meeting) to allow in-depth technical analysis and discussion of on farm performance and issues.

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### 3. Authority

The Production Committee is a committee of the Board of Directors of Dairy Farms NZ Limited established by the Board.

The Committee is authorised to do all things, and investigate all matters, that fall within the terms of reference set out in this Charter and in doing so may:

- Obtain independent professional advice in the satisfaction of its duties at the cost of the Company (subject to the approval of the Chair of the Board).
- Secure the attendance at meetings of outsiders with relevant experience.
- Have direct access to the resources and information of the Company as it may reasonably require.
- Seek any information it requires directly from any employees of the Company and require the attendance of employees of the Company at meetings as appropriate.

Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with farming developments, legislative, and other relevant issues.

Committee members are entitled to rely on information or advice from Company employees on matters within their responsibility, and on external professional advisers or experts on matters within their professional or expert competence, provided that:

- the Committee members do not know, or have reason to believe, that such reliance is unwarranted;
- the Committee members have reasonable grounds to believe that each person on which the Committee relies is reliable and competent in relation to the matters concerned; and
- the Committee members make proper inquiry where the need for inquiry is indicated by the circumstances (including whether further information is required or available in order to make a decision on a given matter).

Each Committee member must apply an independent and enquiring mind, as well as his or her own knowledge of the Company and its business, to evaluate a given matter, and to form his or her own opinion on that matter. Each Committee member must not substitute any information or advice provided by an employee or external professional adviser for his or her own examination of important matters.

The Board may rely on information provided by the Committee and its members in relation to matters within the Committee's responsibility under the terms of this Charter (subject to the same provisos as set out above).

It is the responsibility of each Committee member to bring to the attention of the Committee any issue which a Committee member becomes aware of which is relevant to the ability of the Committee to fulfil its responsibilities under this Charter.

The Committee may delegate any of its responsibilities to the chair of the Committee or a subset of its members from time to time and on such terms as the Committee considers appropriate.

## 4. Responsibilities

The Committee is responsible for the following key areas of strategic level review:

- Providing a forum for discussion and insights.
- Giving specific insights at the annual Board Strategic session or at other times, in respect of the appropriateness and alignment of the Company's Production strategy and overall Company strategy, or of specific issues for resolution.
- Making recommendations to the Board on key issues to improve the robustness of the key Company strategies, business growth and profit performance against the physical KPIs of the business.
- Providing guidance to management of the business, but not actually directing management in their activities.
- Reviewing production targets and farm working expenses during the annual budgeting process and providing the Board with a recommendation on whether or not to accept the budget prepared by management.
- Review the on-farm Health and Safety practices and culture as part of normal on farm visits. Including:
  - Inspect supporting information such as staff meeting minutes, incident reports, and emergency plans and such other activities that provide evidence of a sound health and safety culture on that farm;
  - Ensure that the business has appropriate processes for receiving and considering information regarding on farm incidents, hazards and risks, and for responding in a timely way to that information;
  - Ensure there are sufficient resources and processes for the effective implementation and maintenance of the health and safety management system and for improvement programmes;
- Review the on-farm effluent and environmental practices and culture as part of normal on farm visits. Including:
  - Ensure that each farm's physical effluent management infrastructure is fit for purpose and well maintained;
  - Inspect supporting information such as effluent application records, water use records, and compliance of these with resource consent conditions;
  - Ensure best practice is implemented around riparian management such as buffer strips for cultivated and crop paddocks, and riparian fencing and planting;
  - Ensure natural features of farms such as QEII covenants and other areas of natural vegetation are respected and maintained.
- Provide assistance to management in the recruitment of sharemilkers.

## 5. Accountability and Reporting

The Committee is accountable to the Board. In this regard, the Committee shall:

- Regularly report to the Board on all matters relevant to the Committee's responsibilities and make appropriate recommendations;
- Formal meetings of Production Committee will be minuted and shared with the board.
- Informal and/or operational activities of PC will be recorded and where appropriate commented on in the CEO report
- Ensure that the Board is made aware of any matters which may significantly impact on the financial condition or affairs of the Company and its business.

## 6. Review

The Committee shall undertake an annual self-review of its performance, objectives and responsibilities and of this charter annually, and ensure any revisions to the Charter are approved by the Board.