



## **BOARD CHARTER**

### **THE a2 MILK COMPANY LIMITED ("Company")**

#### **1. Role of the Board**

This Board Charter sets out the principles for the operation of the board of directors of the Company ("**Board**") and describes the functions of the Board.

The Board is accountable to shareholders for the performance of the Company. The Board must at all times act honestly, conscientiously and fairly in all respects in accordance with the law applicable to the Company and must act in the best interests of the Company, shareholders and other stakeholders.

The Board's role includes guiding the Company's strategic direction and culture, driving its performance and overseeing and evaluating the activities of management and the operation of the Company.

This Board Charter and the charters adopted by the Board for the committees established by the Board have been adopted on the basis that good corporate governance adds to the performance of the Company and creates shareholder value and engenders the confidence of the investment market.

#### **2. Responsibilities of the Board**

The Board is responsible for managing the affairs of the Company, including to:

##### ***Strategic and financial performance***

- provide leadership and develop and approve the Company's corporate strategy, investment and performance objectives;
- evaluate, approve and monitor the Company's strategic, investment and financial plans and objectives;
- evaluate, approve and monitor the annual budgets and business plans;
- determine the Company's dividend policy (if any), dividend re-investment plan (if any) and the amount and timing of all dividends;
- evaluate, approve and monitor major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities of the Company;
- approve all accounting policies, financial reports and material reporting and external communications by the Company;
- assess the solvency and performance of the Company;

- appoint the Chair of the Board and, where appropriate, any deputy chair or senior independent director;

***Executive management***

- appoint, monitor and manage the performance of the Company's executive directors;
- manage succession planning for the Company's executive directors and any other key management positions as identified from time to time, including reviewing any succession plans recommended by the Nomination Committee;
- appoint and, where appropriate, remove any Chief Executive Officer;
- ratify the appointment and, where appropriate, the removal of senior management of the Company and any subsidiaries;
- with the advice and assistance of the Remuneration Committee, annually review and approve the performance of senior executives as well as any policies concerned with the remuneration of any employee;
- with the advice and assistance of the Remuneration Committee, review and approve the remuneration of individual Board members and senior executives, having regard to their performance;
- ensure appropriate resources are available to senior executives;
- review, and if necessary update the framework for employees to provide to the Board all information required by it to discharge its responsibilities, including any information specifically requested by the Board;
- oversee senior management's implementation of the Company's strategic objectives;
- reviewing and challenging management's implementation of agreed strategies, business performance and culture;
- assessing and challenging any allegations of misconduct, lack of performance or leadership failures within management;

***Audit and risk management***

- with the recommendation of the Audit and Risk Management Committee, appoint the external auditor and determine its remuneration and terms of appointment;
- ensure effective audit, risk management and regulatory compliance programs are in place to protect the Company's assets and shareholder value;
- evaluate, establish, approve and monitor the risk appetite within which the Board expects management of the Company to operate;
- approve and monitor the Company's risk and audit framework, including (but not limited to) systems of risk management and internal compliance and control;
- approve and, with the assistance and advice of the Audit and Risk Management Committee, monitor compliance with the Company's Risk Management Policy;

- monitor the Company's operations in relation to, and in compliance with, relevant regulatory and legal requirements;
- approve and oversee the integrity of the accounting, financial and other corporate reporting systems and monitor the operation of these systems;

***Strategic planning***

- engage in strategic planning including establish goals for management of the Company and monitor the achievement of those goals;
- ensure strategic planning is based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing;
- on an ongoing basis, review how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted;

***Corporate governance and disclosure***

- oversee the affairs of the Company, including its control and accountability systems;
- evaluate the overall effectiveness of the Board, its committees and its corporate governance practices;
- at least once each year review the performance and effectiveness of the Company's corporate governance policies and procedures and, if appropriate, amending those policies and procedures or adopting new policies or procedures;
- review and approve all disclosures related to any departures from the NZX Corporate Governance Code and the ASX Corporate Governance Council Corporate Governance Principles and Recommendations;
- review and approve the public disclosure of any Company policy or procedure;
- supervise the public disclosure of all matters that the law and the NZX and ASX Listing Rules require to be publicly disclosed in a manner consistent with the Continuous Disclosure Policy;
- develop and review an appropriate communications policy to promote effective communication with shareholders and participation at general meetings;
- approve the appointment of directors to committees established by the Board and oversee the conduct of each committee;
- approve and monitor delegations of authority;
- with the assistance of the Nomination Committee, identify any specific responsibilities of individual Board members, including the Chair;
- prepare the Company's annual corporate governance disclosure statements as required under the ASX Listing Rules and NZX Listing Rules;

***Performance evaluation***

- each year, review and evaluate the performance objectives, responsibilities, and processes and procedures of the Board and each Board committee in accordance with such performance procedures as may be adopted from time to time;
- initiate the performance evaluation process of the Chair;
- following each review and evaluation, consider how to improve performance which may include undertaking appropriate training to remain current on how to best perform their duties as directors of the Company;
- agree and set the goals and objectives for the Board and its committees each year, and if necessary, amend the relevant charters, committees, policies or goals and objectives;
- with the advice and assistance of the Remuneration Committee, review and approve the remuneration of the Company's executive and non-executive directors;

***Workplace Health and Safety***

- monitor compliance with the Company's Workplace Health and Safety Policy;
- review the Company's Workplace Health and Safety Policy on a regular basis to ensure that it remains relevant and appropriate to the Company;

***Code of Ethics***

- adopt and apply appropriate ethical standards in relation to the management of the Company and the conduct of its business; and
- monitor compliance with the Company's Code of Ethics.

**3. Structure of the Board**

The Board shall comprise at least four directors and it is intended that the Board should, where practicable (but having regard to any minimum requirements set out in the ASX and/or NZX Listing Rules), comprise a majority of independent directors and comprise directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds that is relevant to the Company and its strategy.

**4. Independent Director**

Where this Charter or the charter of a board committee requires one or more "independent" directors, the following criteria are to be applied.

An "independent" director is a non-executive director who does not have a disqualifying relationship. A disqualifying relationship means any direct or indirect interest, position, association, or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the director's capacity to:

- bring an independent view to decisions in relation to the Company;
- act in the best interests of the Company; and

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- represent the interests of the Company's shareholders generally,

having regard to the factors that may impact director independence, if applicable.

Examples of interests, positions, associations and relationships that might cause doubts about the independence of a director include if the director:

- is, or within the last three years has been, employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- is, or within the last three years has been, a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is, or within the last three years has been, in a material business relationship (e.g. a material supplier or customer) with the Company or another group member, or an officer of or otherwise associated directly or indirectly with an entity which the Company is in a material business relationship with;
- has, or within the last three years has had, a material contractual relationship with the Company or another group member other than as a director of the Company;
- is a substantial product holder of the Company, or a senior manager of, or person otherwise associated with, a substantial product holder of the Company;
- has close family ties with anyone in the categories listed above;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; or
- has any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company and its shareholders generally.

Family ties and cross-directorships may also be relevant in considering interests and relationships which may compromise independence and should be disclosed by directors to the Board.

The Board should regularly assess whether each non-executive director is independent. Each non-executive director should provide to the Board all information that may be relevant to this assessment. If a director's independent status changes, this should be disclosed and explained to the market in a timely manner.

## 5. Directors' Responsibilities

Each director of the Company is bound by the Company's charters, policies and protocols, including the:

- Board Charter;
- Audit and Risk Management Committee Charter;
- Nomination Committee Charter;
- Remuneration Committee Charter;
- Code of Ethics;
- Securities Trading Policy;
- Continuous Disclosure Policy;
- Diversity Policy;
- Workplace Health and Safety Policy;
- Shareholder Communications Policy;
- Risk Management Policy; and
- Takeover Protocols.

The directors of the Company must:

- conduct their duties at the highest level of honesty and integrity;
- observe the rule and the spirit of the laws to which the Company is bound and comply with any relevant ethical and technical standards;
- maintain the confidentiality of all information acquired in the course of conducting their role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board or is required by law or by the NZX or ASX Listing Rules;
- observe the principles of independence, accuracy and integrity in dealings with the Board, board committees, internal and external auditors, senior management and employees within the Company;
- act in accordance with this Board Charter and disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature, of which the director becomes aware and which the director reasonably believes is material, in that it may or may be perceived to influence his vote or compromise the reputation or performance of the Company; and
- set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of director.

## **6. Role of the Chair**

- The Company recognises that it is important that the Chair has a defined role in the organisation and operates in accordance with clear functional lines.
- The role of Chair requires a significant time commitment. The Chair's other positions should not be such that they are likely to hinder effective performance in the role.
- Among other things, the Chair is responsible for initiating the performance evaluation process of individual directors.

## **7. Specific Duties of the Chair**

The Chair will:

- where practicable, be an independent non-executive director;
- chair board meetings;
- establish the agenda for Board meetings, in consultation with the directors and the Company Secretary; and
- chair meetings of shareholders, including the Annual Meeting of the Company.

The roles of Chair and Chief Executive Officer will be exercised by two separate individuals.

The Chair will be selected on the basis of relevant experience, skill, judgement and leadership abilities to contribute to the effective direction of the Company.

The Chair is responsible for:

- leadership of the Board and for the efficient organisation and conduct of the Board's functions;
- promoting a constructive governance culture and applying appropriate governance principles among directors and with management; and
- facilitating the effective contribution of all directors and promoting constructive and respective relations between directors and between Board and management.

## **8. Management's Responsibilities (Specific Duties of the Chief Executive Officer)**

To enable the effective day-to-day management and leadership of the Company, the Board has delegated the management responsibilities of the Company to the Chief Executive Officer. The Chief Executive Officer has in turn sub-delegated parts of his or her authority to other senior executives in the Senior Leadership Team to enable effective and timely decision making. The Board meets regularly with the Chief Executive Officer and other members of the Senior Leadership Team to provide strategic guidance for the Company and effective oversight of management.

## **9. Confidential Information and External Communication**

The Board has established the following principles to apply in respect of information of the Company:

- generally, the Chair will speak for the Company. Individual Board members are expected not to communicate on behalf of the Board or the Company without prior consultation with the Chair;
- any disclosure of information to a shareholder or any other person which is not disclosed to the market must be approved under the Continuous Disclosure Policy and must comply with the NZX and ASX Listing Rules; and
- all directors are required to keep all information provided to them in their capacity as a director confidential, unless it is required by law or by the NZX or ASX Listing Rules.

#### **10. Conflicts of Interest**

The directors of the Company are required to act in a manner which is consistent with the best interests of the Company as a whole, free of any actual or possible conflicts of interest, and in accordance with the Code of Ethics.

If a director considers that they might be in a position where there is a reasonable possibility of conflict between their personal or business interests, the interests of any associated person, or their duties to any other company, on the one hand, and the interests of the Company or their duties to the Company, on the other hand, the director must:

- fully and frankly inform the Board about the circumstances giving rise to the possible or actual conflict;
- if requested by the Board, within seven days or such further period as may be permitted, take such steps as are necessary and reasonable to remove any conflict of interest; and
- abstain from voting on any motion relating to the matter and absent him/herself from all board deliberations relating to the matter, including receipt of Board papers bearing on the matter.

If a director believes that they may have a conflict of interest or duty in relation to a particular matter, the director should immediately consult with the Chair (or, in the case of the Chair, the Chair should immediately consult with the other non-executive directors).

Interested directors may not vote on Board resolutions except as permitted under the NZX Listing Rules.

#### **11. Related Party Transactions**

The Board has delegated to the Audit and Risk Management Committee responsibility for reviewing and monitoring related party transactions and investments involving the Company and its directors.

#### **12. Meetings**

The Board will meet not less than six times formally per annum and as frequently as may otherwise be required to deal with urgent matters.

A meeting of the Board will usually be convened by the Chair.



All directors are expected to diligently prepare for, attend and participate in all Board meetings. At a minimum, a quorum of directors under the Company's Constitution is three directors. Meetings of the Board may be held or participated in by conference call or similar means. Resolutions of the Board may be passed by circular resolution or in writing in accordance with the Company's Constitution.

The Chair should ensure the availability and, if necessary, the attendance at the relevant meeting, of any member of the Company's executive management responsible for a matter included as an agenda item at the relevant meeting.

In addition to Board meetings, non-executive directors should consider the benefits of conferring periodically without executive directors or other senior executives present.

### **13. Agenda**

An agenda will be prepared for each Board and Board committee meeting. The agenda will be prepared by the Company Secretary.

The following items will be standing items on the agenda unless otherwise determined by the Chair:

- approval of minutes of previous Board meeting;
- items requiring Board approval;
- consideration of any continuous disclosure matters;
- directors' declarations; and
- matters arising from minutes of previous Board meeting (Note: directors are expected to review the minutes carefully and raise any concerns, requested amendments or seek clarification in the following Board meeting).

### **14. Board Committees**

In order to fulfil its duties, the Board has established the following committees:

- the Audit and Risk Management Committee, which is responsible for monitoring and advising the Board on the Company's audit, risk management and regulatory compliance policies and procedures;
- the Nomination Committee, which is responsible for advising the Board on the composition of the Board and its committees, advising and assisting the Company's Chair and the Board (as the case may be and as required from time to time) with respect to the review of the performance of the Board, its committees and individual directors, ensuring the proper succession plans are in place and advising the Board in respect of the effectiveness of its corporate governance policies and developments in corporate governance; and
- the Remuneration Committee, which is responsible for establishing the policies and practices of the Company regarding the remuneration of directors and other senior executives and reviewing all components of the remuneration framework.

Although the Board may delegate powers and responsibilities to these committees, the Board retains ultimate accountability for discharging its duties.

The composition of the membership, including the Chair, of each of these committees will be as determined by the Board from time to time, subject to the following restrictions:

- the Audit and Risk Management Committee must comprise at least three members, all of whom are non-executive directors, a majority of whom will be independent and at least one of whom has an accounting or financial background;
- the Nomination Committee must comprise at least three members the majority of whom will be independent directors;
- the Remuneration Committee must comprise at least three members, all of whom are non-executive directors and a majority of whom will be independent; and
- the Chair of each of the above mentioned committees will be an independent director.

The Board will consider and approve the charters of the various committees. These Charters will identify the areas in which the Board will be assisted by each committee.

Each committee will report regularly to the Board in accordance with their respective charters.

#### **15. Company Secretary**

The Company Secretary is directly accountable to the Board through the Chair, unless delegated by the Board to another appropriate person. The Company Secretary's role is to:

- advise the Board and its committees on governance matters;
- coordinate all Board business including:
  - prepare agendas;
  - coordinate the timely completion and despatch of Board and committee papers;
  - ensure the business at Board and committee meetings is accurately captured in the minutes;
  - lodge communications and filings with the NZX and ASX;
  - monitor compliance with Board and committee policy and procedures; and
  - help to organise and facilitate the induction and professional development of directors.

The Board will appoint at least one company secretary. Appointment and removal of a company secretary will be subject to Board approval.

All directors will have direct access to the Company Secretary.

## **16. Independent Advice**

A director of the Company is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- a director must seek the prior approval of the Chair;
- in seeking the prior approval of the Chair, the director must provide the Chair with details of the nature of the independent professional advice, the likely cost of the advice and details of the adviser he or she proposes to instruct;
- the Chair may set a reasonable limit on the amount that the Company will contribute towards the cost of obtaining the advice;
- all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and to the director in their professional capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the director's contract of employment with the Company (in the case of an executive director) or any dispute between the director and the Company; and
- the Chair may determine that any advice received by an individual director will be circulated to the remainder of the Board.

All directors are entitled to the benefit of the Company's standard Deed of Indemnity and Undertaking which provides ongoing access to Board Papers and, at the Company's expense, Directors and Officers insurance.

## **17. Remuneration**

The level of director remuneration will be approved by the Board or by shareholders as the Company's Constitution may require.

## **18. Annual Review**

The Board will review and prepare annually:

- a self-evaluation of its performance against this Charter;
- recommended goals and objectives for the coming year; and
- recommended changes or improvements to this Charter if necessary.

## **19. Revisions of this Charter**

This Board Charter and any amendments to it must be approved by each director of the Company.

Each director is responsible for review of the effectiveness of this Charter and the operations of the Board and to make recommendations to the Board of any amendments to this Board Charter.

Board Charter

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