

Board Charter

June 2024



1. Introduction

This charter has been approved by the Board of Directors, and along with the Terms of Reference and key practices of the Board Committees, provides the framework for the governance of AsureQuality. The Board reviews the charter and other aspects of AsureQuality's governance regularly.

The State-Owned Enterprises Act defines the principal objective of state enterprises – to operate as a successful business – their roles and responsibilities as state entities and the role of Directors.

Directors are expected to read and apply the policies and practices at all times in their role as Directors.

The Owner's Expectations Manual for State-Owned Enterprises covers amongst other things, the shareholders' expectations in relation to financial governance, shareholder consultation and Board governance.

1.1. Interpretation

In this Charter the following words mean:

- "Act" means the Companies Act 1993.
- "Board" means the Board of Directors of the Company and is used interchangeably with "Directors" (see below).
- "Business" means the business of AsureQuality Limited.
- "CEO" means the person appointed by the Board to perform the role of Chief Executive Officer of the Company, regardless of the title conferred on that person.
- "Chair" means the Chair of the Board.
- "Company" means AsureQuality Limited, and where the context requires, includes subsidiaries of AsureQuality Limited.
- "Board Secretary" means the person appointed by the Board to perform the role of secretary to the Board.
- "Deputy Chair" means the Deputy Chair of the Board.
- "Directors" means Directors of the Board and is used interchangeably with "Board" (see above).
- "Management" means the CEO, the CEO's direct reports and where appropriate the wider management team.
- "Shareholders" means the two Shareholding Ministers, the Minister for State-Owned Enterprises, and the Minister of Finance.
- "SOE" means State-Owned Enterprise.

2. Operation of the Board

2.1. Role of the Board

The Board is the steward and governor of AsureQuality. Its role is to represent and promote the interests of the Shareholders by directing and monitoring the affairs of AsureQuality with a view to adding long-term value to the Company.

Having regard to its role, the Board will direct, and have oversight of the management of the business and affairs of the Company including, in particular:

- Setting the Company's strategic plan and in particular the overall organisation purpose, vision, and values, and monitoring and reviewing these regularly;
- Ensuring that strategies are in place for achieving the company's purpose and vision;
- Establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- Setting the risk appetite within the risk management framework;
- Monitoring the performance of Management;
- Appointing the CEO, setting the terms of the CEO's employment agreement 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 abilities to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- Ensuring that the Company's financial statements are true and fair and otherwise conform with law;
- Ensuring that the company has environmental, sustainability and climate change policies in place;
- Together with the CEO, setting, modelling, and monitoring of the Company's organisational culture;
- Ensuring that the Company adheres to high standards of ethics, corporate behaviour, and corporate social responsibility;
- Ensuring that the Company has appropriate risk management, legal and regulatory compliance policies in place;
- Ensuring that the Company has appropriate health and safety policies and practices in place that ensure the wellbeing of staff; and
- Ensuring that all employees are treated with due respect and are provided with a working environment and working conditions that meet all reasonable standards of employment as defined by workplace and employment legislation.

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.

2.2. The Board's Relationship with Shareholders

The Board will use its best endeavours to familiarise itself with issues of concern to the 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 outside expert advice on these matters.

2.3. The Board's Relationship with other Stakeholders

The Board will use its best endeavours to familiarise itself with issues of concern to other 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.

2.4. Board Procedures

The conduct of Directors 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. Directors will always act within any limitations imposed by the Board on its activities.

Directors will use their best endeavours to attend Board meetings and to prepare thoroughly. Directors 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. Directors unable to attend a meeting will advise the Chair at the earliest date possible and confirm in writing to the Board Secretary.

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 and 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, but will be mindful of the requirement of SOE's to act like publicly listed companies.

The Board has sole authority over its agenda and exercises this through the Chair. Any Director 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 and the Board Secretary.

The Board will normally hold up to 10 meetings in a year and will hold additional meetings as the occasion requires. At each normal meeting the Company's interests register will be updated as necessary and the Board will consider:

- Major strategic issues and opportunities for the Company;
- An operational report from the CEO;
- A report from the Chief Financial Officer;
- Reports on the activities from the Company's individual business units;
- Specific proposals for capital expenditure and acquisitions; and
- Safety and Wellbeing.

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

- Review the Company strategic plan;
- Review the strategies and operating plans for achieving the Company goals;
- Approve the annual budget;
- Approve the annual and half-yearly financial statements, quarterly reports to Shareholders and public announcements;
- Approve the annual report;
- Consider and recommend the payment of dividends;
- Review the Board composition, skill mix, structure, and succession in conjunction with Treasury;
- Review the Company's audit requirements;
- Review the performance of, necessity for, and composition of Board committees;
- Undertake Board and individual Director evaluations biennially;
- Review the CEO's performance and remuneration;
- Review remuneration policies and practices in general including superannuation and 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 the corporate social responsibility objectives;
- Review Shareholders, customer, and supplier relations;
- Review donations and sponsorships; and
- Settle the following year's Board work plan

Directors are entitled to have access to all relevant Company information and to Management at all reasonable times.

Directors 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.

The Board Secretary will keep minutes of all meetings and record all decisions made by the Board.

2.5. Chair and Deputy Chair

The Chair is responsible for representing the Board to Shareholders.

The Chair is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in this Charter.

The Chair is responsible for maintaining regular dialogue with the CEO over all important 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 Director dominates discussion, that appropriate discussion takes place and that relevant opinion among Directors is forthcoming. The Chair will ensure that discussions result in logical and understandable outcomes.

The Deputy Chair will deputise for the Chair in his or her absence or at his or her request.

2.6. 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 Finance and Risk committee, and People and Culture committee.

The Finance and Risk Committee:

- recommends to the Board the principles and standards in relation to internal controls, accounting policies and the nature, scope, objectives, and functions of internal and external audits;
- assists at the Board in producing accurate financial statements in compliance with legal and accounting standards;
- provides oversight in relation to risk management strategy, policy, and processes; and
- assists at the Board in setting the risk appetite and monitoring that the Company is operating in line with this appetite within the risk management framework.

The People and Culture Committee:

- makes recommendations to the Board and provides oversight in relation to the Company's people and culture strategy and policy, senior executive remuneration, employment conditions and performance management
- provides oversight in relation to organisation wide safety and wellbeing strategy, policy, and practices; and
- assists at the Board in succession planning and development.

Other committees are formed for specific purposes and disbanded as required. The purposes of the standing committees are detailed in a terms of reference for each.

2.7. Board Composition and Mix

The composition of the Board will reflect the duties and responsibilities – to discharge and perform as representatives of the interests of Shareholders, to set the Company's strategy and to monitor its implementation.

Generally, the qualifications for Directors 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.

Directors will 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. They will be independent from management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

Subject to any limitations imposed by Shareholders, it is anticipated that Directors will hold office for a minimum of three years.

2.8. Induction of New Directors

On their first appointment, Directors 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, Directors will receive the relevant Board and Company information and meet key Management.

Directors 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.

2.9. Directors' Remuneration

The Directors' remuneration is set annually by the Shareholders. The Shareholders and Treasury guidelines have previously stated that the Chair's remuneration is 2.0 times the Director rate and the Deputy Chair is 1.25 times the Director rate.

Notwithstanding the method of calculation of remuneration, it remains the Board's prerogative to determine the allocation to individual Directors.

2.10. Conflicts of Interest

The AsureQuality process for handling a conflict of interests or conflict of duties consists of three steps.

- The conflicted Director, or any other Director, identifies that they have conflicting interests with regard to their role or responsibilities.
- The conflict is declared to the Board and recorded in the company's interest register.
- The Board collectively agrees on how the conflict should be managed. If there is no applicable legislation or constitutional rules to follow then the Board may choose to manage the conflict by abstention from voting, being absent while the matter is discussed, or simply being aware and transparent about the fact that a conflict of interests exists.
- The company will maintain, and regularly review, a register of Directors' interests.

2.11. Provision of Business or Professional Services by Directors

Because a conflict of interest (actual or perceived) may be created, Directors 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 Director having special expertise in the particular field; or
- engage the services of another Director of a Director's organisation

So long as the terms of engagement are competitive, are clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

2.12. Political Impartiality

The Board of Directors recognises the importance of political impartiality in maintaining the integrity and reputation of AsureQuality. In their capacity as AsureQuality Directors, Directors are required to act in a politically impartial manner and conduct themselves in a way that enables them to act effectively regardless of which political parties are in Government. This includes not making political statements; not engaging in political activity in relation to the functions of AsureQuality; and, not acting in ways that places Ministers, or the entities they are responsible for, in a position of embarrassment.

2.13. Other Board Appointments

Any Director 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 Director's performance as a Director. All appointments must be notified to the Chair and Board Secretary when accepted. If there is a possible conflict of interest, this must be discussed with the Chair prior to acceptance.

2.14. Independent Professional Advice

Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his or her other responsibilities as a Director.

If a Director considers such advice is necessary the Director 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 Director will ensure, so far as is practicable, that the cost is reasonable.

2.15. Board and Director Evaluations

The Board will, biennially, 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.

2.16. Indemnities and Insurance

Subject to the Company's Constitution, the Company will provide Directors with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as Directors, to the fullest extent permitted by the Act. The insurance cover will include an appropriate run-off period.

2.17. Board Secretary

The appointment of the Board Secretary is made on the recommendation of the CEO and must be approved by the Board.

The Board Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

2.18. Company Policies

The Directors will comply with the Company policies and procedures that apply to them.

3. Board Management Relationship

3.1. Position of the 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.

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 decisions of the Board acting as a body are binding on the CEO. Decisions or instructions of individual Directors, officers or committees should not be given to the CEO and are not binding in any event except in those instances where specific authorisation is given by the Board.

3.2. Accountability of the 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 meetings the Board should expect to receive from or through the CEO:

- The operational and other reports and proposals referred to above; and
- Such assurances as the Board considers necessary to confirm that the Management delegations are being observed.

3.3. Management Delegations

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 taking into account the health, safety, environmental 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.

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 Framework).

4. Safety and Wellbeing

The Board has a duty to ensure that the provisions of the Health and Safety at Work Act are met. In order to carry out its responsibilities the Board will:

- Ensure all Directors understand their responsibilities as Directors of a company under the Act and review compliance annually;
- Put in place and review regularly how it receives information in order to exercise its duties under the Act;
- Put in place and review the recording and reporting to the Board of safety and wellbeing events, trends, and responses;
- Understand the workplace risks and hazards that employees, contractors and others who are owed a duty of care under the Act are, or could be exposed to in carrying out their duties; and
- Ensure the Company annual budget is consistent with the requirements of the Act.

5. Employment Conditions and Remuneration

The CEO will ensure that the workplace environment enables ethical behaviour that is consistent with workplace legislation and the Company's values including:

- Ensuring there are clear guidelines in place in relation to employee rights, entitlements, and workplace responsibilities and that such rights and entitlements are consistent with the Company's values, its responsibility to be a 'good employer' and to maintain and enhance employee wellbeing;
- Ensuring employees have fair, reasonable and equitable employment conditions including remuneration;
- Ensuring that employees, contractors, and others to whom the Company has a duty of care are not exposed to, or not protected from, or unprepared for hazardous and risky workplace situations or circumstances that could result in harm as specified in the Health and Safety at Work Act;
- Enable staff to participate in the design and review of safety and wellbeing policies and procedures; and
- Ensure that internal dispute resolution processes are in place

Helping Aotearoa
shape a better food world

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