



# Marlborough Wine Estates Group Limited

## Governance Code

**30 June 2016**

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## **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 Marlborough Wine Estates Group Limited
- Listing Rules mean the listing rules of the NXT 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.

## **Marlborough Wine Estates Group Limited GOVERNANCE CODE**

The Board of Marlborough Wine Estates Group Limited has adopted the following Governance Code:

### **1 GOVERNANCE PRINCIPLES**

#### **1.1 Role of the Board**

The Board is responsible for directing the Company and enhancing its value for Shareholders in accordance with good governance principles.

#### **1.2 Chairperson**

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

#### **1.3 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.

#### **1.4 Separation of Roles**

The Board endorses the separation of the roles of Chairperson and CEO.

#### **1.5 Link with Performance**

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.

#### **1.6 Annual Review**

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.

#### **1.7 Code of Ethics**

The Board recognises that high ethical standards and behaviours are central to good governance and it is committed to implementing, reviewing and monitoring observance to a written Code of Ethics for the Company. The Code of Ethics applying as at the date of the adoption of this Governance Code is part of the current Governance Policies and is attached as Appendix A.

#### **1.8 Information to New Directors**

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 particular terms of his or her appointment.

## 2 **ROLE OF THE BOARD**

### 2.1 **Company's Objective**

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

### 2.2 **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.

### 2.3 **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 so as 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 behaviour 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 behaviour and hold accountable those directors, managers or other employees who engage in unethical behaviours;
- (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.

#### 2.4 **Board Relationship with CEO**

The Board acknowledges that its most important 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 at all times 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 taking into account 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.

#### 3.3 **Board Membership**

The Board has adopted the following principles:

- (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 Independent Directors (as defined in the Listing Rules) and at least two directors must be ordinarily resident in New Zealand.
- (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 should also contain some directors not related to or affiliated with any Shareholder or Shareholder group in order to ensure that the interests of all Shareholders are represented.
- (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) At least one-third of the directors will retire annually, but are eligible for reappointment by Shareholders as outlined in the Constitution;
- (j) the Board elects a Chairperson who can be replaced by it at any time.

#### 4 **INDEPENDENCE DEFINITION**

A director is regarded as having a relationship that may compromise his or her ability to act independently from Management if they:

- (a) have any direct or indirect interest or relationship that could reasonably influence, in a material way, that director's decisions relating to the company; or
- (b) are likely to receive, or have received in any of the past three years, more than 10% of his or her annual remuneration or revenue (excluding dividends or distributions payable to holders of shares generally) by virtue of any of the following relationships:
  - (i) the director is a substantial security holder in the company or an associated person of a substantial security holder in the company; and
  - (ii) the director has a relationship (other than as a director of the company) with the company or a substantial security holder in the company.

If a director has such a relationship, that director cannot vote on a matter in respect of which that director is interested, nor can any vote be counted towards the board quorum in respect of that matter.

##### 4.1 **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 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.

##### 4.2 **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 of his or her business relationships. This should be done through an Interests Register which is updated at each Board meeting.



#### 4.3 **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.

#### 4.4 **Annual Report**

The Company's annual report will include:

- (a) information about each director, including a profile of experience, length of service, any ownership interests in the company and identify which directors are independent; and
- (b) a statement of Governance practices.

### 5 **ROLE OF THE CHAIRPERSON**

#### 5.1 **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.

## 5.2 **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.

## 5.3 **Relationship with CEO**

The Chairperson is responsible for establishing a close working relationship with the CEO and acting as his or her mentor.

## 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.

**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 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.

**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 fulfilment 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 fulfilment 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 attached as Appendix B 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**

In order 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 and is set out as Appendix C.

**9.12 Composition of the Audit, Finance and Risk Management Committee**

The Audit, Finance and Risk Committee shall comprise a majority of independent directors and at least one director who is a chartered accountant or has another recognised form of financial expertise.

**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 and is set out as Appendix D.

**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 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 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.

**13.7 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.

**13.8 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.

### 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 **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.

## 15 **AUTHORISATION**

This Marlborough Wine Estates Group Limited Governance Code has been agreed by the Board on **27 June 2016**.

16 **APPENDIX A: CODE OF ETHICS**



## MARLBOROUGH WINE ESTATES GROUP LIMITED—CODE OF ETHICS

### PURPOSE:

Marlborough Wine Estates Group Limited's ("MWE" or "Company") Code of Ethics sets the standards of ethical behaviour on which Directors of the Company are required to conduct their professional lives.

Directors will:

- Always act with honesty and total integrity exercising diligence and fairness. They will conduct themselves in a manner that ensures the Company's reputation and image will not be compromised by their actions or statements.
- Fulfil their duties and exercise their powers as Directors with due care and diligence having regard to the Company's Values and acting in the best interests of MWE.
- To the best of their abilities, using reasonable endeavour, seek to ensure MWE records and documents including financial reports are accurate and true.
- Avoid conflicts of interest. Each Director will disclose all relationships they have with MWE as per the group's Conflicts of Interest Declaration, together with private or business interests that may constitute a conflict of interest to the Board so that the Board can assess the Director's independence in each instance.
- Respect, maintain and protect the confidentiality of information about MWE's financial and business affairs as well as information entrusted to them about customers, work colleagues and stakeholders except where disclosure is permitted or required by law.
- Respect, protect and uphold the rights of employees, customers, shareholders and other legitimate stakeholders in the Company.
- Not take advantage of opportunities arising through the use of any of the assets, property or information of MWE or its subsidiaries for personal gain.
- Fully comply with all laws, rules and NXT and other regulations relevant to MWE's business in all jurisdictions within which the Company operates.
- Use their best endeavours to ensure compliance by the Company with all statutory and internal disclosure requirements in a timely manner.
- Not accept unauthorised payments, gifts or other inducements arising from dealings conducted on behalf of the Company.
- Report any unethical or illegal (or potentially illegal) behaviour of which they become aware to the Chairman of MWE.

**Date adopted:** 30 June 2016

17 **APPENDIX B: FINANCIAL PRODUCTS TRADING POLICY AND GUIDELINES**

## **Marlborough Wine Estates Group Limited**

### **Financial Products Trading Policy and Guidelines**

**Date adopted: 30 June 2016**

# **Marlborough Wine Estates Group Limited**

## **Financial Products Trading Policy and Guidelines**

### **Scope of Policy**

This Marlborough Wine Estates Group Limited (“MWE” or “Company”) policy applies to all directors, officers, employees and temporary contractors of the Company and its subsidiaries, and any trusts and companies controlled by them, who intend to trade in MWE’s listed securities. In this policy ‘trade’ includes buying or selling listed securities, or agreeing to do so, whether as principal or agent, but it does not include subscription for, or the issue of, new securities.

### **Executive Summary**

Under the Financial Markets Conduct Act 2013 (“FMCA”), it is illegal for any person holding price sensitive, confidential information about a company (referred to in the FMCA as an “information insider”) to trade that company’s shares or other securities. This behaviour is called “insider trading”.

The policy adopted by MWE is that if you wish to trade in the Company’s shares or other issued securities, you must not do so if you are an information insider. This policy also prohibits distributing information or engaging in trades which may constitute “market manipulation” under the FMCA (this is explained in further detail in the Appendix). In addition you must first apply to the Company for written consent to do so.

The detailed policy and procedure in respect of these rules is set out in Appendix A which forms part of this *Financial Products Policy and Guidelines* document.

### **Purpose of this Document**

The purpose of this document is twofold: to detail and explain the insider trading and market manipulation provisions of the FMCA, as well as to provide a process for considering conduct by Directors, officers, employees and contractors who may be in breach of this policy.

These rules apply to dealing in the following securities (referred to in this document and the Appendix as “**Restricted Securities**”):

- ordinary shares or convertible notes issued by MWE and other listed securities of MWE; and
- quoted derivatives in respect of any such securities.

The requirements imposed by this policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand and any other country where those securities may be listed.

**If you do not understand any part of this policy, or how it applies to you, you should raise the matter with the Chief Executive Officer before dealing with any securities covered by this policy.**

**Warning - Fundamental Rule – Insider trading is illegal**

If you have any **material information** (as defined below), it is illegal for you to:

- trade the Company’s Restricted Securities;
- advise or encourage another person to trade or hold the Company’s Restricted Securities;
- advise or encourage a person to advise or encourage another person to trade or hold the Company’s Restricted Securities; or
- pass on the **material information** to anyone else – including colleagues, family or friends – knowing (or where you ought to have known) that the other person will use that information to trade, or advise or encourage someone else to trade, or hold, the Company’s Restricted Securities.

This offence, called “insider trading” can subject you to criminal liability including large fines and/or imprisonment, and civil liability, which may include being sued by another party or the Company, for any loss suffered as a result of illegal trading.

The prohibitions apply regardless of how you learn of the information, and regardless of why you are trading.

The prohibition on insider trading applies not only to information concerning the Company’s Restricted Securities. If a person has material information in relation to listed securities of another listed company (including futures contracts listed on an authorised futures exchange), that person must not trade in those securities.

**What is “material information”?**

“Material information” is information that:

- is not generally available to the market; and
- if it were generally available to the market, would have a material effect on the price of MWE’s Restricted Securities.

It does not matter how you come to know the material information (including whether you learn it in the course of carrying out your responsibilities, or in passing in the corridor, or in a lift, or at a social function).

Information is generally available to the market if it has been released as an NZX announcement, or investors that commonly invest in the Company’s Restricted Securities can readily obtain the information (whether by observation, use of expertise, purchase or other means).

Information includes rumours, matters of supposition, intentions of a person (including the Company), and information concerning a proposal which is insufficiently definite to warrant disclosure to the public.

### **What are some examples of material information?**

The following list is illustrative only. Material information could include information concerning:

- the financial performance of the Company;
- a possible change in the strategic direction of the Company;
- the introduction of an important new product or service;
- a possible acquisition or sale of any assets or company by the Company;
- entry into or the likely entry into or termination or likely termination of material contracts or other business arrangements which are not publicly known;
- a possible change in the Company's capital structure;
- a change in the historical pattern of dividends;
- senior management changes;
- a material legal claim by or against the Company; or
- any other unexpected liability.

### **Exceptions**

This policy does not apply to:

- acquisitions and disposals by gift or inheritance;
- acquisitions through an issue of new listed securities, such as an issue of new shares on the exercise of options, under a rights issue, or a dividend reinvestment plan.

### **Confidential information**

In addition to the above, you also have a duty of confidentiality to MWE. This duty of confidentiality will continue to apply, even if you have ceased being employed by the Company. You must not reveal any confidential information concerning the Company to a third party (unless that third party has signed a confidentiality agreement with the Company and you have been authorised to disclose the confidential information), or to use confidential information in any way which may injure or cause loss to the Company, or use confidential information to gain an advantage for yourself. You should ensure that external advisers keep Company information confidential.

### **Short term trading discouraged**

You should not engage in short term trading of Restricted Securities unless there are exceptional circumstances discussed with and approved by the Chief Executive Officer.

Short term trading can be a key indicator of insider trading, particularly if undertaken on a regular basis or in large amounts. Therefore, to reduce the risk of an allegation of insider trading, do not trade Restricted Securities on a short-term basis.

The rules contained in this policy do not replace your legal obligations. The boundary between what is (and is not) in breach of the law is not always clear. Sometimes behaviour that you consider to be ethical actually may be insider trading. If in doubt, don't!

### **Breaches of policy**

Strict compliance with this policy is a condition of employment, both within MWE and on the Company's board of directors ("Board"). All suspected breaches of this policy should be reported to a member of the Board or senior management – the identity of anyone making such a report will be protected at all stages in the course of any internal investigation. Any determined breaches of this policy will be subject to disciplinary action, which may include termination of employment.

The Board has an obligation to report any breaches of this policy to NZX Regulation as soon as practicable after becoming aware of the breach.

### **Monitoring of trading**

The Company may monitor the trading of Restricted Securities of directors, officers, employees and temporary contractors of the Company as part of the administration of this policy.

### **Application of policy**

The Board has approved this policy. The Board may approve updates, amendments to and exemptions to this policy from time to time, which may be implemented by memo to you or by posting on the Company's intranet.

To the extent of any inconsistency with any previous policy relating to this subject matter, this policy prevails over them.

### **Authorisation**

This Marlborough Wine Estates Group Limited Financial Products Trading Policy and Guidelines have been agreed by the Board on **27 June 2016**.

## Appendix A

### Persons covered by MWE's Trading Restrictions

The additional trading restrictions set out below apply to:

- all directors, officers and employees of the Company and its subsidiaries;
- all temporary or permanent contractors of the Company and its subsidiaries who have access to material information;
- all trusts and companies controlled by such persons.

Employees, directors, officers and contractors will be considered responsible for the actions of trusts and companies controlled by them. In this respect, "control" is not to be construed in a technical way but by looking at how decisions are made in practice.

### Trading restrictions

The persons to whom these restrictions apply are only permitted to trade in Restricted Securities within specified Trading Windows, as follows:

- during the 10 Business day period after the date of release to the NXT of a "business update"; or
- during the 10 Business day period after the release to the NXT of a "preliminary announcement" or a "cleansing notice".

The persons to whom these restrictions apply are not permitted to trade any Restricted Securities during any time outside of the specified Trading Windows, unless the Company's Board provides a specific exemption.

***Please note that in all cases if you hold material information, you must not trade Restricted Securities at any time.***

### Market manipulation

Engaging in behaviour which constitutes "market manipulation" is prohibited by the Financial Markets Conduct Act 2013 ("FMCA"). Penalties for breaching the market manipulation provisions contained in the FMCA may include criminal liability, fines and imprisonment.

It is possible to commit market manipulation inadvertently, for example, in circumstances where a person *ought to have known* that their behaviour could be construed as market manipulation. As such, directors, officers, employees and contractors of MWE should:

- a) familiarise themselves with types conduct which could be considered market manipulation; and
- b) take active steps to avoid disseminating information or trading securities in ways which could be construed as market manipulation.

The types of behaviour which could be categorised as market manipulation include:

- ***Misleading information:*** you must not make a statement or disseminate information concerning MWE (or any other publicly listed entity) if this is materially false or misleading, where that statement would likely affect a person's decision to trade or exercise a voting right (including abstentions from doing so).



- *Misleading trading*: you must not do, or omit to do, anything which will have (or will likely have) the effect of creating a misleading appearance of supply, demand, price or value of securities in MWE (or any other publicly listed entity). This could include:
  1. *Wash trades*: sale and purchase of securities where there is no change in actual ownership of the security, e.g. from one company to another, where both companies are owned or controlled by the same person;
  2. *Improper matched orders*: transactions where both buy and sell orders are entered at the same time, with the same price and quantity by different colluding parties;
  3. *Advancing the bid*: increasing the bid for a security to increase its price;
  4. *Marking the close*: buying or selling securities at the close of market in order to affect the closing price of the security concerned;
  5. *Pump and dump*: engaging in buying activity which results in increasingly higher prices for securities, followed by selling the securities at the higher prices.

If you are in doubt as to whether your communications or trading activity could be construed as market manipulation, you should consult the Chief Executive Officer before trading or sharing information concerning the Company with external parties.

### **Requirements before trading**

Before trading in Restricted Securities, at any time, the persons to whom these restrictions apply must, in writing:

- notify the Chief Financial Officer of their intention to trade in Restricted Securities, and seek consent to do so on the attached form;
- confirm that they do not hold material information; and
- confirm that there is no known reason to prohibit trading in any Restricted Securities.

Any consent given by the Company in accordance with this procedure is only valid for a period of 10 trading days after notification. A consent is automatically deemed to be withdrawn if the person becomes aware of material information prior to trading.

### **Requirements after trading**

A person to whom these restrictions apply must advise the Chief Financial Officer promptly following completion of any trade, and the person to whom these restrictions apply must comply with any disclosure obligations it has under the FMCA and the NXT listing rules.

**REQUEST FOR CONSENT TO TRADE IN RESTRICTED SECURITIES**

**To:** The Chief Financial Officer, Marlborough Wine Estates Group Limited

In accordance with the Company’s Financial Products Trading Policy and Guidelines, I request the Company’s consent be given to the following proposed transaction to be undertaken either by me or persons associated with me, within 10 trading days of approval being given. I acknowledge the Company is not advising or encouraging me to trade or hold securities and does not provide any securities recommendations.

**Name:**

**Name of registered holder transacting (if different):**

**Address:**

**Position:**

**Description and number of Restricted Securities:**

**Type of proposed transaction:** Purchase/sale/other (specify)

**To be transacted:** On NXT/off-market trade/other (specify)

**Likely date of transaction (on or about):**

I declare that I do not hold information which:

- is not generally available to the market at the time of trading; and
- would have a material effect on the price of the Company’s Restricted Securities if it were generally available to the market.

I know of no reason to prohibit me from trading in the Restricted Securities and certify that the details given above are complete, true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

The Company hereby **does/does not** consent to the proposed transaction described above. Any consent is conditional on the proposed transaction being completed within 10 trading days of the date of this consent and in compliance with the Company’s Financial Products Trading Policy and Guidelines.

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Date

on behalf of Marlborough Wine Estates Group Limited

18 **APPENDIX C: AUDIT, FINANCE AND RISK MANAGEMENT COMMITTEE  
CHARTER**

## **Marlborough Wine Estates Group Limited**

### **Audit, Finance and Risk Committee Charter**

**Date adopted: 30 June 2016**

## **Audit, Finance and Risk Committee Charter**

### **1.0 PURPOSE AND OBJECTIVES**

- 1.1 The Board of Directors (“the Board”) of Marlborough Wine Estates Group Limited (“MWE” or “Company”) has established a Committee known as the Audit, Finance and Risk Committee (“the Committee”).
- 1.2 The primary purpose of the Committee is to assist the Board of MWE in fulfilling its responsibilities relating to the company’s management systems, accounting and reporting, external and internal audit, finance and risk management activities.
- 1.3 The principal objectives of the Committee are to:
- Consider as and when in the opinion of the Board, trading and circumstances warrant, the appointment of an internal auditor;
  - assist the Board in fulfilling its responsibilities relating to the accounting and reporting practices of MWE;
  - review the financial statements of the Company and advising the Board as to their compliance with applicable law;
  - serve as an independent and objective party to review the financial information presented by Management for shareholders;
  - oversee and appraise the audits conducted by MWE’s external and internal auditors;
  - recommend and implement a framework to ensure that the external auditors retain the appropriate level of independence from the Company and to ensure the ability of the auditors to undertake the audit;
  - give proper consideration to the scope of non-audit work undertaken by the external auditor;
  - maintain open lines of communication between the Board, external and internal auditors and Management to exchange views and information, as well as confirm their respective authorities and responsibilities; and
  - monitor MWE’s Risk Management Programme and risk management controls and where appropriate, make recommendations as to policy implementation.
- 1.5 The Committee in its relationship with the external and internal auditors will be upholding the interests of the Company’s shareholders.

### **2.0 CONSTITUTION**

- 2.1 The Audit, Finance and Risk Committee is a committee of the Board.
- 2.2 The Committee is authorised by the Board to investigate any activity within its terms of reference as set out in this Charter.
- 2.3 The Committee has the authority to seek any information it requires from any officer or employee of MWE and from any adviser or consultant to MWE.

- 2.4 The Committee is authorised by the Board to take such independent professional advice as it considers necessary.
- 2.3 Notwithstanding the existence of the Audit, Finance and Risk Committee, the external and internal auditors have direct access to the Committee Chairman and Board if required.
- 2.4 Unless otherwise directed by the Board, or identified in this Charter, the Committee will have no executive powers in regard to its findings and recommendations.
- 2.5 The Committee will make recommendations to the Board for its approval.

### **3.0 MEMBERSHIP**

- 3.1 The Audit, Finance and Risk Committee will be appointed by the Board from amongst the non-executive Directors of MWE and shall consist of not less than three members, two of whom will be Independent Directors. At all times, a majority of members on the board must be Independent.
- 3.2 The Committee Chairman (“the Chairman”) will be appointed by the Board.
- 3.3 The Chairman of the Board shall not be Chairman of the Audit, Finance and Risk Committee.
- 3.4 The composition and performance of the Committee will be reviewed annually.
- 3.5 At least one member of the Committee shall have a relevant accounting or financial background.
- 3.6 Payment in addition to normal board fees may be made to Committee members within the overall total board fees as approved by the shareholders from time to time.

### **4.0 MEETINGS**

- 4.1 A quorum of members of the Committee shall be two. If only two members are present, the Chairman shall not have a casting vote.
- 4.2 The Committee will meet not less than four times a year. In addition, the Committee will hold such additional meetings as the Chairman deems necessary in order to fulfil its duties.
- 4.3 The CFO for MWE will act as Secretary for the Audit, Finance and Risk Committee and give reasonable notice of the meetings to all members of the Committee and other Directors of the Board.
- 4.4 The Secretary of the Committee will be responsible for drafting and circulating Committee agendas and explanatory papers based on advice provided by the Chairman.
- 4.5 The Secretary will record minutes of the Committee and circulate the minutes to all Directors.

- 4.6 Directors who are not members of the Audit, Finance and Risk Committee and employees of the company may only attend meetings at the invitation of the Committee.
- 4.7 The external and internal auditors will attend meetings as requested by the Chairman. A meeting will be held, at least annually, with the external and internal auditors without Management being present.
- 4.8 An indicative annual work plan will be drafted by the Committee and updated annually.

## **5.0 REPORTING**

- 5.1 The Secretary will ensure the Committee minutes are distributed with Board agenda papers for the next Board meeting following a meeting of the Audit, Finance and Risk Committee.
- 5.2 After each Committee meeting the Chairman shall report the Audit, Finance and Risk Committee's findings and recommendations to the Board.
- 5.3 The CFO will be responsible for drawing to the Committee's immediate attention:
- any material matters which relate to the financial condition of MWE;
  - any material breakdowns in internal controls;
  - any material events of fraud or malpractice;
  - any significant legislative non-compliance; and
  - any changes in risk profile.
- 5.4 Any reporting of a matter requiring the Committee's immediate attention as outlined in 5.3 above shall be accompanied with Management's proposed corrective actions.
- 5.5 The Chairman of the Audit, Finance and Risk Committee is required to be present at the Annual General Meeting of shareholders.

## **6.0 RESPONSIBILITIES**

- 6.1 The Audit, Finance and Risk Committee is responsible for:
- The Audit Functions;
  - Auditor Independence;
  - Processes and Policy;
  - General Compliance;
  - The Risk Management Framework; and
  - Other General Responsibilities.
- 6.2 The Audit, Finance and Risk Committee Functions are:

- (a) Recommend the appointment and removal of the external and internal auditors, their fees and terms of engagement;<sup>1</sup>
- (b) Monitor and review the annual audit plans, practices and policies of the external and internal auditors;
- (c) Evaluate the overall effectiveness of the external and internal auditors through regular meetings;
- (d) Determine that no restrictions are being placed upon the external and internal auditors by Management;
- (e) Review the external and internal auditors comments, recommendations and reports;
- (f) Meet privately with the external and internal auditors at least once a year;
- (g) Discuss with MWE's external auditors the auditor's judgements about the quality, not just the acceptability, of the MWE accounting principles as applied in its financial reporting; and
- (h) Follow protocol to ensure the continued independence of the external audit function, which shall include:
  - I. annual receipt from the external auditors, of a formal written statement which delineates all relationships between the external auditor and the Company, as well as confirms the external auditor's
  - II. compliance with the professional standards and ethical guidelines of the Institute of Chartered Accountants of New Zealand;
  - III. only recommending the appointment (or re-appointment) of an external auditor, where a reasonable investor, with full knowledge of all relevant facts and circumstances, would consider the external auditor to be capable of exercising objective and impartial judgement on all issues encompassed within the external auditor's engagement; and
  - IV. ensuring the external auditors rotate their senior audit partner at least every five years, with suitable succession planning to ensure continuity.

### 6.3 Process and Policy

- (a) Evaluate and report on the adequacy and effectiveness of MWE's management systems, and accounting policies through active communication with Management and external and internal audit;

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<sup>1</sup> Any reference in this Charter to an auditor is a reference to a qualified auditor as defined in section 35 of the Financial Reporting Act 2013.



- (b) Monitor management systems by reviewing written reports from the external and internal auditors, and monitoring Management’s responses and actions to correct any noted deficiencies;
- (c) Review compliance with internal controls;
- (d) Review all significant accounting policy changes and recommend approval to the Board;
- (e) Review the half yearly and annual financial statements and reports and recommend approval to the Board;
- (f) Review and approve compliance of the half yearly and annual reports with applicable law; and
- (g) Review financial information prior to its release to the public and media.

#### 6.4 General Compliance

- (a) Monitor ethical considerations and standard of corporate conduct in areas such as arms-length dealings with likely conflicts of interest;
- (b) Check for statutory compliance, procedures and controls;
- (c) Receive reports considering significant regulatory issues and recommend action to the Board;
- (d) Evaluate the adequacy and effectiveness of MWE’s business continuity plans;
- (e) Review the process of assessing the risk of fraudulent financial reporting;
- (f) In conjunction with Management, review the adequacy of insurance at each insurance renewal round and recommend to the Board any significant changes in the insurance cover; and
- (g) Evaluate Management’s procedures for monitoring compliance with the Company’s charters and policies.

#### 6.5 Risk Management

- (a) Ensure that MWE maintains an up to date risk register;
- (b) Obtain from Management a report of changes to significant business risks (e.g. new or emerging risks, changes in risk assessments, etc);
- (c) Review and approve, on an annual basis, MWE’s Risk Management Programme; and
- (d) Evaluate the effectiveness of MWE’s risk management policies, practices and procedures.

#### 6.6 Other General Responsibilities

1. Establish a clear line of communication between the Audit, Finance and Risk Committee and the CEO, the Manager responsible for MWE's accounting and operational functions, the Risk Manager and the external and internal auditors;
2. Review and update this Charter annually and submit to the Board for endorsement;
3. Report Committee actions to the Board with such recommendations as the Audit, Finance and Risk Committee may deem appropriate;
4. Prepare a statement for inclusion in the annual report that describes the Audit, Finance and Risk Committee's composition and responsibilities and how they were discharged;
5. The Committee has the authority to conduct or authorise investigations into any matters within the Committee's scope of responsibility. The Committee has the ability to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.
6. The committee will perform such other functions as assigned by law, NXT Listing Rules or the Board of Directors.

#### **7.0 Attendance at Meetings**

Except by agreement or as a result of sudden illness of a member or their immediate family, members are expected to attend all scheduled Audit, Finance and Risk Committee meetings (either in person or via teleconference) and other activities deemed by the Chairman to be official business of the Committee. Requests for absence from meetings shall be approved by the Chairman of the meeting and requests for extended leave of absence from meetings are to be in writing and approved by the Board.

#### **8.0 Review of Charter**

This Charter and the Committee's performance as against the Charter, will be reviewed annually by the Board.

#### **9.0 Authorisation**

This MWE Audit, Finance and Risk Charter has been agreed by the Board of MWE on **27 June 2016**.

19 **APPENDIX D: REMUNERATION, NOMINATION AND HEALTH & SAFETY  
COMMITTEE CHARTER**

# Marlborough Wine Estates Group Limited

## Remuneration, Nomination and Health & Safety Committee Charter

**Date adopted: 30 June 2016**

## **Marlborough Wine Estates Group Limited**

### **Remuneration, Nomination and Health & Safety Committee Charter**

#### **1. Authority**

The Board of Directors (“the Board”) of Marlborough Wine Estates Group Limited (“MWE” or “Company”) has established a Committee known as the Remuneration, Nomination and Health & Safety Committee (“the Committee”).

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.

#### **2. Purpose and Objectives**

The Committee’s primary function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the:

- Appointment, remuneration and evaluation of the Chief Executive Officer (“CEO”) and succession planning in relation to him/her.
- Remuneration of the Leadership Team (senior executives reporting directly to the CEO).
- Executive Incentive Scheme and Remuneration.
- Review risk and compliance with statutory and regulatory requirements relative to Human Resources.
- Review Health & Safety policies to ensure the Company is providing a safe working environment for all employees and contractors, and that it complies with all statutory and regulatory requirements pertaining to Health & Safety.
- This Committee also recommends to the board, candidates to be appointed as a Director. Such candidates must have demonstrable commercial skills and judgment relevant to the board at the time of appointment.
- The Committee reviews annually the composition of the board and where necessary, can seek assistance from external advisors in connection with the suitability of current or new Board members.

#### **3. Membership and Meetings**

1. The Committee will consist of the Chair, CEO and one non-executive director of the Board. The members are appointed by the Board which also appoints the Chair of the Committee.
2. The quorum for a meeting shall be two Directors. If only two members are present, the Chair shall not have a casting vote.
3. Members of the Committee shall be appointed for an initial two year term after which they may be re-appointed annually at the Board’s discretion.
4. Election and removal of members by the Board shall be by majority vote.
5. The duties and responsibilities of members of the Committee are in addition to those as a member of the Board of Directors.
6. Payment in addition to normal board fees may be made to Committee members within the

overall total board fees as approved by the shareholders from time to time.

7. The Committee will meet at least twice per year.
8. The Committee may request members of management and other Board members to attend as required.
9. The Committee Chair will report to the Board at least twice annually on the Committee's activities.
10. The Committee will complete a self-assessment form annually and provide this to the Chair of the Board.
11. All meetings are to be recorded and minutes provided to all Directors, Chief Executive Officer and senior management in attendance. Note: 'Director only' minutes would not necessarily be available to the executive.

#### **4. Duties**

The following activities have been defined by the Board and constitute the terms of reference delegated to the Committee. The Committee is authorised to:

##### **General Responsibilities**

- Review the Committee's Charter annually.
- Review the Chief Executive Officer's Remuneration.
- Conduct the Chief Executive Officer's performance reviews.
- Review the Chief Executive Officer's recommendations for Leadership Team remuneration and incentive packages.
- Make recommendations to the board on the appropriateness and implementation of any staff share or option schemes.
- Develop and review a reimbursement and expenses policy for board members and senior management.
- Develop and define clear lines of authorisation for spending and decision making between management and board and review this annually.
- Review annually the composition of the board and make recommendations as regards existing members or potential new board candidates.

##### **Non-executive Director Remuneration**

The policy of the Committee is to set an appropriate level of remuneration which allows the Company to retain the services of a suitable number of appropriately qualified non-executive Directors. In order to achieve this end, the Committee intends to recommend non-executive Director remuneration which aligns with median levels of non-executive Director salaries of equivalent size and complexity to MWE. Remuneration levels recommended by the Committee will also reflect the significant responsibilities and risks taken on by non-executive Directors, as well as the opportunity cost of forgoing other appointments. The process for setting non-executive Director remuneration is set out below:

- As is required by the NXT Listing Rules, the total remuneration pool payable to non-executive Directors is limited to the amount approved by the Company's shareholders from time to time.
- Remuneration set in respect of each non-executive Director will consist of a base fee; additional compensation will be payable for responsibilities and workload incurred in carrying out extra responsibilities (e.g. involvement in Board Committees).
- Any proposal by the Committee to increase the total remuneration pool available to compensate non-executive Directors will be based on a thorough review of market trends.

- Board remuneration will be formally reviewed at least every three years (or more frequently, as needed to account for changing circumstances); such review to incorporate a report of an independent organisation having expertise in recommending non-executive Director remuneration levels.
- Annual remuneration payable to Directors will be disclosed in MWE's annual report, in the manner prescribed by the NXT Listing Rules.

#### **Company salary/wage review**

Agree the company wide wage and salary review policy annually prior to management undertaking individual salary/wage reviews.

#### **Key Human Resource Policies**

- Make recommendations to the Board (including proposing amendments) with respect to employee remuneration, benefits and incentive schemes.
- Overview and ensure that the Company is in compliance with statutory HR responsibilities.
- Periodically review the structure and succession plans for the Leadership Team.
- Undertake other related tasks or special investigations as directed by the Board.

#### **Health & Safety**

- Ensure the company has a safety vision and beliefs statement that expresses MWE's commitment to Health & Safety.
- Ensure appropriate targets are established for tracking Health & Safety effectiveness.
- Establish structures and processes to be used to plan, deliver, monitor and review leadership of H&S.
- Ensure the CEO has a role description that includes Health & Safety responsibilities and accountabilities.
- Regularly review management reports and updates on Health & Safety issues.
- Ensure Health & Safety is a separate agenda item at each MWE Board meeting.

### **5. Attendance at Meetings**

Except by agreement or as a result of sudden illness of a member or their immediate family, members are expected to attend all scheduled Committee meetings (either in person or via teleconference) and other activities deemed by the Chair to be official business of the Committee; however, the Chief Executive Officer may not attend Committee meetings concerning the setting of his/her remuneration and his/her performance review. Requests for absence from meetings shall be approved by the Chair of the meeting and requests for extended leave of absence from meetings are to be in writing and approved by the Board.

### **6. Review of the Charter**

This charter will be reviewed annually by the Board.

### **7. Authorisation**

This MWE Remuneration, Nomination and Health & Safety Committee Charter has been agreed by the MWE Board on **27 June 2016**.