

# AOTEAROA FISHERIES LIMITED

## CORPORATE GOVERNANCE CODE

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### BACKGROUND

Aotearoa Fisheries Limited (AFL) is a Māori company with a duty under the Māori Fisheries Act 2004 to manage its assets in a commercial manner. It must also use its best endeavours to work co-operatively with Iwi on commercial matters.

The vision of AFL is that it is a strong seafood business delivering growth in shareholder wealth to Iwi. Four core values have been identified in the Strategic Plan as integral to achieving that vision:

- Integrity
- Teamwork
- Innovation; and
- Operational excellence.

Directors, numbering between five and eight, are appointed and removed by Te Ohu Kai Moana Trustee Limited. No more than two of those Directors of AFL may be Directors or employees of Te Ohu Kai Moana Trustee Limited.

Clause 67 of the Constitution of AFL requires the preparation and publication of a Corporate Governance Code incorporating a Code of Ethics which reflects generally recognised best corporate governance practice for New Zealand companies then listed on the New Zealand Stock Market operated by New Zealand Exchange Limited as that practice is adapted for AFL to reflect, to the extent that the Board considers appropriate, the particular circumstances of AFL. The Code must also address AFL protocols for dealing with employee conflicts of interest.

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The principles upon which this Governance Code is based include integrity and accountability as prerequisites for maintaining trust in Directors. A clear understanding of moral and ethical responsibilities and strict observance of obligations will assist Directors in gaining support for their strategies from Iwi and stakeholders.

### 1. BOARD COMPOSITION AND PERFORMANCE

**There will be a balance of independence, skills, knowledge, experience, and perspectives among Directors so that the Board works effectively. The Board will guide direction of AFL and direct and oversee management at a strategic level .**

- Directors will be selected and appointed by Te Ohu Kai Moana Trustee Limited in its capacity as control shareholder and in accordance with the requirements of Sections 62 and 63 of the Maori Fisheries Act 2004.

- All Directors will, except as permitted by law and disclosed to shareholders, act in the best interests of AFL, ahead of other interests.
- Directors will observe, unless the context otherwise provides, the *NZX Corporate Governance Best Practice Code* and the Institute of Directors in New Zealand *Best Practice Statements* including its *Code of Proper Practice for Directors* as they pertain to the prescribed activities of AFL. *Should these be attached as appendices?*
- The Board will have rigorous, formal processes for evaluating its performance, along with that of Board committees and individual Directors. The chairperson should be responsible to lead these processes.

## 2. ETHICAL STANDARDS

**Directors will demonstrate and foster high ethical standards and act honestly and in good faith.**

- Ethical conduct is the basis of good governance. Consequently the AFL Code of Ethics will address ethical issues, establish compliance standards and procedures, provide mechanisms to report and investigate unethical behaviour and ensure that appropriate disciplinary measures are in place for any violations.
- The Code of Ethics will set out explicit expectations for ethical decision making and personal behaviour of Directors, executive and staff in respect of:
  - conflicts of interest, including giving and receiving gifts [or koha] and bribes;
  - corporate loyalty and confidentiality;
  - compliance with any applicable laws and regulations;
  - acting with integrity with Iwi shareholders and stakeholders;
  - proper use of AFL assets, property and information;
  - acting within delegated authority;
  - compliance with the Code of Ethics; and
  - reporting of, and measures for dealing with, breaches of the Code of Ethics.

## 3. RELATIONSHIPS WITH IWI

**Directors will ensure that AFL uses its best endeavours to work co-operatively with Iwi, consistent with the requirement of the Māori Fisheries Act to manage AFL assets in a commercial manner.**

- Management will foster constructive relationships with Iwi that encourages them to engage with AFL to develop mutually beneficial commercial relationships that endure over time.

- AFL will have clear policies for lwi relationships and will regularly review practices, aiming to clearly communicate to lwi the goals, strategies and performance of AFL.
- The Board will facilitate questioning of external auditors by shareholders during the annual meeting.

#### 4. **STAKEHOLDER INTERESTS**

**The Board will respect the interests of all stakeholders within the context of AFL's special type of ownership and its fundamental purpose.**

- The Board will have clear policies for AFL's relationships with stakeholders.
- The Board will regularly assess compliance with these policies to ensure that conduct towards stakeholders complies with the Code of Ethics and the law.

#### 5. **BOARD COMMITTEES**

**The Board will use committees where this will enhance its effectiveness in key areas while retaining full Board responsibility for governance decisions**

- Every Board committee will have a clear terms of reference that sets out its role and delegated responsibilities while safeguarding the ultimate decision making authority of the AFL Board as a whole.
- The Board will maintain an **Audit Committee** with responsibilities to:
  - Promote integrity in financial reporting by ensuring that processes are in place so that the Board is properly and regularly informed on corporate financial matters;
  - Recommend the appointment and removal of external auditors;
  - Meet regularly to monitor and review the independent and internal auditing practices;
  - Have direct, unrestricted access to the independent and any internal auditors or accountants;
  - Ensure that financial reports comply with appropriate laws and regulations.
- The Board will also maintain a **Remuneration Committee** with responsibilities for:
  - Setting and reviewing the remuneration policies and practices of the company;

- Setting and reviewing, in accordance with the company's remuneration policies and practices, all components of the remuneration of the Chief Executive Officer and Senior Executives. The components shall include base salary, reimbursable expenses, bonuses, entitlements under employee incentive plans, and all other entitlements and benefits arising from his employment;
- Setting and reviewing, as appropriate, the terms of the employment contract for the Chief Executive Officer;
- Setting and reviewing the terms of the company's short and long term incentive plans for the Chief Executive Officer and Senior Executive employees;
- Setting and reviewing the terms of the company's superannuation schemes if any;
- Making recommendations to the full Board on setting and reviewing all components of the remuneration of the Directors. Such components shall include supplemental fees for undertaking additional duties, reimbursable expenses arising from their directorships; and
- Considering such other matters relating to remuneration issues as may be referred to it by the Board.

## 6. REPORTING AND DISCLOSURE

**Accountability is a principal incentive for good corporate governance and the Board will demand integrity both in financial reporting and in the timeliness and balance of disclosures on AFL affairs.**

- The AFL Board will ensure a rigorous process is in place for assuring Directors of the quality and integrity of AFL financial reports including their relevance, reliability, comparability and timeliness.
- Management will provide information of sufficient content, quality, and timeliness as the Board considers necessary to enable the Board to effectively discharge its duties, including approving and monitoring the strategic plan.
- AFL annual reports will, in addition to all information required by law, include sufficient meaningful information to enable Iwi and stakeholders to be well informed on AFL affairs.
- AFL will make its corporate governance policies, code of ethics, Board committee terms of reference and Iwi Relationship Policy readily available to interested shareholding Iwi and stakeholders.

## 7. AUDITORS

### **The Board will ensure the integrity, objectivity and independence of the external audit process**

- The Board will inform itself fully on the responsibilities of external auditors and be rigorous in its selection of auditors on professional merit.
- The Board will satisfy itself that there is no relationship between the auditor and AFL or any related person that could compromise the independence of the auditor, and will require confirmation of this from the auditor.
- The Board will facilitate full and frank dialogue among its audit committee, the external auditors and management.
- No audit shall be led by the same audit partner for more than five consecutive years.

## 8. RISK MANAGEMENT

### **The Board will annually verify that AFL has appropriate policies and processes that identify and manage all potential and relevant risks.**

- These policies will include financial, market, operational and environmental risks, as well as delegations.
- The Board will require AFL to operate rigorous processes for, and provide regular reports on, risk management and internal control.

## 9. REMUNERATION

### **Remuneration of Directors and executives will be transparent, fair, and reasonable.**

- Over and above the work performed by the Remuneration Committee the Board will have a clear policy for setting remuneration of Directors and executives that is fair and reasonable in a competitive market for the skills, knowledge and experience required by AFL.
- The Board will ensure that disclosure is in accordance with the requirements of the Companies Act 1993.