



# BOARD CHARTER

## INTRODUCTION

This charter describes the role of the Board, the duties and responsibilities of directors in carrying out their role and discharging their duties to the Company, and the composition of the Board and its operating practices. Effective corporate governance optimises the use of Board expertise and judgment to maximise each director's contribution. An environment where both Board and management set strategic direction and allows the Board to monitor performance, without impeding day-to-day management of operations, will aid performance.

## THE ROLE OF THE BOARD

The primary role of the Board is to provide overall leadership of the strategic direction of SDL for the benefit of shareholders. In performing this role, through effective oversight of management for the purposes of protecting and enhancing both the Company's reputation and value of its assets, with the Board's objective should be that of ensuring long-term, sustainable growth in shareholder value. The Board has overall responsibility for directing and supervising the management of SDL, including its strategy and culture, and ensuring the Company operates in a safe, socially responsible and environmentally friendly manner. The Board delegates the operational leadership and management of the Company to the Chief Executive Officer ("CEO").

## DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Board include:

- providing governance and leadership, and approving the overall strategic direction for the Company;
- reviewing and approving the Company's business strategies and performance objectives provided by management, including long-term strategic plans and shorter term budgets (typically one year);
- appointing, performance monitoring and (if required) removing the CEO and the CEO's direct reports and ensuring organisational structure and arrangements are appropriate;
- overseeing and reviewing the CEO and management's progress and implementation of the Company's strategic objectives, performance and shareholder value growth;
- approving and monitoring major capital expenditure, capital management, acquisitions and divestitures and other material transactions;
- setting minimum standards of ethical behaviour, to which the Company's directors and employees are expected to adhere, and ensuring that the Company adheres to high standards of ethics and corporate behaviour;
- reviewing the principal risks faced by the Company and ensuring that appropriate prudent and effective controls and systems are in place to effectively assess, manage and, where feasible, mitigate the impact of those risks;



- ensuring appropriate availability and allocation of resources to meet business objectives;
- ensuring that appropriate reporting systems are in place and maintained to provide accurate and timely information to the Board;
- reviewing and approving the Company's remuneration policies and practices and ensuring that they are aligned with Company objectives, particularly in the case of performance incentives;
- ensuring financial results are accurately reported to shareholders on a timely basis in accordance with all legal and regulatory requirements;
- overseeing accounting and reporting systems (including the external audit);
- determining the dividend policy and the amount, nature and timing of dividends to be paid;
- ensuring the Company remains compliant with its continuous disclosure obligations including approving public announcements and communications to shareholders except where responsibility for these has been delegated to the CEO;
- monitoring, acting and causing the Company to act in accordance with all laws and regulatory obligations applicable to the Company;
- approving the Company's Delegated Authority Policy;
- monitoring the effectiveness of the entity's governance practices;
- approving and overseeing the Company's health and safety framework and strategy;
- ensuring the Company adheres to high standards of ethics and corporate behaviour;
- establishing appropriate policies for trading by directors and employees in financial instruments issued by the Company;
- appointing the Chairperson (and Deputy Chairperson if necessary);
- ensuring that directors' Board and committee fees are reviewed and recommendations are made to shareholders; and
- identifying, reviewing and facilitating the appointment of individuals believed to be qualified to become directors as part of a process of reviewing the Board's capability.

## COMPOSITION OF THE BOARD

SDL does not have a Nominations Committee. Nominations for election and re-election to the Board will be considered by the full Board, at least annually. The Chairperson shall lead the election/re-election process and ensures that appropriate checks are performed, and that all material information is provided to the Board. In the event that a candidate is recommended to shareholders for election or re-election, shareholders shall also be provided with relevant, material information including, if the director is being re-elected, the term of office served by the director.

The NZX Listing Rules require that the minimum number of directors shall be three, two of whom shall be ordinarily resident in New Zealand. The Listing Rules also require a minimum number of two Independent Directors, or if there are eight or more directors, at least one-third of the total number, whichever is greater.

The Board should consist of directors:

- with an appropriate range and mix of business, technical and financial skills and experience;

- who have proper understanding of, and competence to deal with, current and emerging issues of the business, and
- who can effectively review and challenge the performance of management and exercise judgment independent of management.

The Board should evaluate its composition, having regards to its diversity, at least annually.

The Board will, in accordance with the NZX Listing Rules, determine the independence of each director on appointment and at least annually thereafter. Each director must keep the Board advised of any interests that could affect their independence, including any interest that could conflict with the interests of SDL. All directors, whether independent or not, are required to act in the best interests of the Company and bring an independent judgement to bear on Board decisions.

Each newly appointed director is required to enter into a written agreement with the Company acknowledging details of, and committing to, the Company's governance policies, director remuneration, indemnity and insurance arrangements, and expected time and other commitments to the Company.

The Board will appoint a Chairperson from among its members. The Chairperson shall not be the CEO. The Chairperson is responsible for:

- providing leadership to the Board;
- chairing Board meetings;
- taking measures to facilitate contribution by all directors;
- maintaining a close working relationship with the CEO and senior management and promoting a constructive relationship between the Board and management; and
- chairing meetings of shareholders.

Directors are expected to understand changes and trends in the business and in the Company's environment and markets and to keep informed about the economic, political, social and legal environment. Directors are expected to undertake appropriate training to remain current on how best to perform their duties as a director. New directors are inducted to the Company through appropriate briefings on the Company's products, operations and strategy.

It is the Company's practice to provide Directors' and Officers' insurance for the benefit of directors of the Company and its material operating subsidiaries and indemnification as permitted by the Company's constitution.

Non-executive directors' fees will be set with reference to market remuneration for directors, at a level which is fair and reasonable and which is able to attract highly skilled directors. The aggregate dollar amount available for directors' fees is approved by shareholders at the annual meeting. Directors may receive additional remuneration for chairing Board committees but are not entitled to incentive rewards (other than as may specifically to individual specialised situations – see Conflicts of Interest section of this charter).

## **PROCEEDINGS**

The Board shall meet regularly (not less than 8 times per year) and hold special meetings as required.

The Chairperson, with the assistance of the CEO and Company Secretary, establishes the agenda for each Board Meeting. Each director may propose inclusion of items on the agenda. Directors should normally receive materials at least three days in advance of meetings. The quorum required under the Company's constitution to constitute a meeting of the Board is three directors.

Directors will use their best endeavours to attend Board meetings and will prepare thoroughly. Directors are expected to participate fully, objectively, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to their Board role.

Directors must act honestly and in good faith in what the director believes to be the best interests of the Company. Directors must observe the confidentiality of non-public information acquired by them as directors and not disclose it to any other person without the authority of the Board.

The Board of Directors may meet periodically on an "in-camera" basis without management present and any director may request "in-camera" time during a board meeting.

Directors are entitled to have access, at all reasonable times, to all relevant company information and to management.

The Board encourages the CEO to bring employees, particularly the CEO's direct reports, to Board meetings to provide additional insight into the items being discussed, including employees whose future potential the CEO believes should be given exposure to the Board.

All Board 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.

The Company Secretary shall be secretary to the board and is accountable directly to the Board, through the Chairperson, on all matters to do with the proper function of the Board. Each director is able to communicate directly with the company secretary and vice versa. The Company Secretary shall keep minutes of Board meetings that accurately reflect the Board discussion.

A director may, with the prior written approval of the Chairperson, and at the Company's expense, seek independent professional advice on an issue affecting the director's duties to the Company. The Company Secretary will normally assist in procuring that professional advice. This advice shall generally be made available to all other directors. All Board committees shall also have access to independent professional advice on this basis.

## **BOARD PERFORMANCE AND CHARTER REVIEW**

The Chairperson shall ensure a review is conducted, usually annually and no less frequently than every two years, of the performance of the Board, any Board committees and the performance of individual directors. The method of review will be determined by the Chairperson and may include full Board discussions, one-on-one interviews with Board members, questionnaires and/or external reviews. The Chairperson collates the feedback and reports to the Board on the outcome of each review.

Any review should also include a skills analysis to ensure the Board has an adequate cross section of diversity and skills to adequately fulfil its duties and obligations under this charter. The review

process should have the Board meet separately without the Chairperson to discuss and provide feedback to the Chairperson on his or her performance.

The Board will review and approve this charter and charters for permanent committees annually.

## COMMITTEES

The Board may establish and disband permanent and temporary committees comprising a subset of members to assist in carrying out its responsibilities by focussing on specific responsibilities in more detail than is possible for the Board as a whole, reporting to the Board and making any necessary recommendations. The Board has one permanent committee:

- Audit and Risk Committee

Any committee will have a formal charter approved by the Board setting out the delegated functions and responsibilities, composition and any administrative matters relating to that committee. The committee chairpersons and members are appointed by the Board.

The Board is responsible for the oversight of its committees. Audit and Risk Committee papers and minutes are copied to all directors. Papers and minutes of other committees are copied to directors as appropriate. A verbal report from each committee is also to be provided at the next Board meeting.

Executive appointments and remuneration, and director nominations are managed by the full Board, given the small size of the Company.

The Board may also delegate specific functions to ad hoc committees on an “as needed” basis. The powers delegated to any such committees will be set out in Board resolutions.

## MANAGEMENT DELEGATION

The Board has delegated to the CEO the authority to lead and manage the business and day-to-day affairs of the Company in accordance with the strategy, business plans and policies approved by the Board, subject to certain matters that have been expressly reserved by the Board. This delegation includes:

- operating SDL’s business according to the strategies and within the policies and parameters set by the Board and where a proposed transaction departs from those policies or exceeds those parameters, referring that matter to the Board for its consideration and approval;
- sub-delegation of functions to senior management of the Company subject to existing Board policies and any legal requirements, including those specified in the Delegated Authority Policy of SDL;
- developing business plans, budgets and strategies for the Board’s consideration and (if required) approval, implementing those plans, budgets and strategies;
- managing SDL’s financial and other reporting mechanisms to ensure they are functioning effectively, capturing and reporting relevant information on a timely basis;
- identifying and managing operational business risks and, where necessary, formulating strategies to mitigate or manage significant risks; and
- implementing and monitoring internal control policies and procedures and ensuring that these remain appropriate and effective.

The Board supports the concept of the separation of the role of chairperson from that of the CEO (with appropriate allowance for the small size of the Company). The chairperson's role is to manage the Board effectively, to provide leadership to the Board, and to interface with the CEO. The CEO also has the responsibility to be the public face and principal representative of the Company.

The CEO and management are required to provide the Board with sufficient relevant and timely information to enable the Board to perform its responsibilities.

For clarity, the matters specifically reserved for the Board include:

- reviewing and determining policies regarding the Company's strategic direction and plans, key business and financial objectives and distribution policy and approval of any distribution;
- approving Company budgets;
- approving Treasury policies including foreign currency exposure and use of financial derivatives;
- review of effectiveness of internal control, compliance and risk management processes;
- reviewing and approving any changes in accounting policies;
- approving the CEO's and the CEO's direct reports' remuneration and benefits;
- approving borrowing by the Company and changes to the Company's capital structure;
- approval of material transactions;
- appointment and removal of external auditor;
- approval of public announcements and market releases;
- approval of trading by directors and employees in any financial instrument issued by the Company;
- communication with shareholders; and
- any other matters that exceed the CEO's authority delegated under the Delegated Authority Policy.

## CONFLICTS OF INTEREST

Directors should avoid conflicts of interest, whether actual or perceived, so far as possible.

Directors are required to disclose any interests they may have, and in certain circumstances, to abstain from participating in any discussion or voting on matters in which they have a material personal interest. The Company Secretary will maintain an interests register and report them to the Board as necessary. It is also expected that a director would inform the Board, by means of a declaration of interest to be recorded in the interests register, of any related party transactions. Where appropriate, related party transactions should be raised for consideration at the following Board meeting.

To avoid conflicts of interest, whether actual or perceived, directors should generally not provide business or professional services of an ongoing nature to the Company. However, SDL operates in a specialised market niche and there are occasions where individual directors may have industry-specific contacts or skills the Company wishes to avail itself of in a manner that is beyond the normal duties of a director. Consequently, the Company is at liberty to engage the services of any director having special expertise or contacts in the particular field (or engage the services of another member

of a director's organisation) so long as the terms of engagement are competitive, priced on a commercial arms-length basis, are clearly recorded and all legal requirements for disclosure to shareholders of the engagement are correctly observed.

## **INCONSISTENCY WITH CONSTITUTION**

To the extent that there is any inconsistency between this charter and the Company's constitution, the constitution will prevail.

This Charter has been approved by the Board on 2 May 2019.