

GOVERNANCE

The primary objective of the Board is to build long-term shareholder value with due regard to other stakeholder interests. It does this by guiding strategic direction and context and focusing on issues critical for its successful execution.

The Board's Charter sets out the governance principles, authority, responsibilities, membership and operation of the Board of Directors. This governance statement outlines the main corporate governance practices as at 31 August 2018. A full statement is available to view at www.comvita.co.nz.

Compliance

The best practice principles which the Company considers in its governance approach are the New Zealand Exchange (NZX) Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the New Zealand Securities Commission Corporate Governance Principles and Guidelines (collectively the "Principles").

The Board's view is that the Company's corporate governance principles, policies, and practices do not materially differ from best practice 'Principles'. The Company's constitution, the Board and committee charters and roles, codes and policies referred to in this section are available to view at www.comvita.co.nz.

Governance Principles And Guidelines

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors observe and foster high ethical standards.

The Company expects its Directors, Officers, and employees to act legally, to maintain high ethical standards, and to act with integrity consistent with Comvita's policies, guiding principles and values. A Code of Ethics sets out these standards for Directors and can be found in the Board Charter on the Company's website. Employees must adhere to the Company Rules which provide clear guidance across a range of ethical and legal matters. The Company has adopted policies to ensure it maintains high standards of performance and behaviour when dealing with the Company's customers, suppliers, shareholders and staff. Specific policies are in place relating to the environment, Privacy Act requirements, confidentiality of Company information, conflicts of interest, complaints from stakeholders, and trading in Company securities.

Mechanisms are provided for the safe reporting of breaches of the Code or other policies or laws, and the consequences of non-compliance are made explicit. No breaches of the Code and policies were identified or reported in the current year.

Trading in Comvita Securities

On a continuing basis, the Board considers whether any matters under consideration are likely to materially influence the present or future market expectations of the Company,

including the share value. It then determines whether or not there continues to be an 'open window' for share trading by Directors and Officers of the Company.

All proposed transactions by Directors or Officers require specific prior approval by the Board Chair and the Chair requires approval from the Chair of the Audit & Risk Committee. Transactions by Directors and Officers of greater than \$100,000 require consent of the Board. Comvita has an Insider Trading Policy which is available on the Company's website. The policy provides a framework that reduces the potential for insider trading. Share trading of Directors and Officers is monitored on a regular basis and no policy breaches have been identified during the 2018 reporting period.

Comvita makes these documents, and other significant governance documents listed below, available on its website:

Constitution/Charters

Constitution
Board Charter

Remuneration & Human
Resources Committee
Charter

Audit and Risk Committee
Charter

Policies

Insider Trading Policy
Continuous Disclosure
Policy

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

There is a balance of independence, skills, knowledge, experience and perspective among Directors that allows the Board to work effectively. The Directors have each signed a commitment to work within the requirements of the Board Charter.

Board Size and Composition

The Board is comprised of Directors with a mix of qualifications, skills and experience appropriate to the Company's business. The Constitution provides for the Directors annually to elect one of their number as Chairperson of the Board.

Gender Composition of Directors and Officers

The Company is committed to diversity in its employment of individuals at all levels in the organisation. As at 30 June 2018, the Board had two female Directors in a total of seven Directors and three female Officers (2017: two female Directors and one female Officer). There are six women in Senior Executive roles in the Company (2017: nine).

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Diversity Policy

The Company's commitment to diversity has been reflected in its ongoing appointments at all levels of suitably qualified women, and others with diverse experiences and perspectives which contribute importantly to ongoing innovation throughout the organisation. This commitment is reflected in the Company values and behaviours. The Remuneration & Human Resources Committee is monitoring gender pay equality, is positive about current progress, and has strategies in place to achieve equality on a scheduled approach.

Takeover Protocols

The Board has established experience in respect of the various NZX and statutory requirements in the event of a takeover approach for the Company. The key requirements of the Takeover Code are well understood by the Board.

Independence of Directors

For a Director to be considered to be independent, the fundamental consideration in the opinion of the Board is that the Director be independent of the Executive and not have any relationship that could, or could be perceived, to interfere materially with the Director's exercise of his/her unfettered and independent judgement.

Having considered these matters and the composition of the Board, the Company considers the Directors hold an appropriate mix of skills, expertise and independence.

The Board has reviewed which of its Directors are deemed to be independent in terms of NZX Listing Rules and has determined all Directors are independent. Accordingly, it is viewed that the Chairs of the Audit & Risk, and Remuneration & Human Resources Committees are independent, as are the committee members.

Responsibilities of the Board and Executive

The business and affairs of the Company are managed under the direction of the Board of Directors on behalf of shareholders. The Board's responsibilities are outlined on the Company's website www.comvita.co.nz. Responsibility for the day-to-day operations and administration is delegated by the Board to the Chief Executive Officer, and the Leadership team.

Appointment and Retirement of Directors

The procedure for the nomination and appointment of Directors to the Board is set out in the Board Charter. The Board as a whole acts as the Nominations Committee. At each Annual Shareholders' Meeting two of the Directors retire by rotation and are eligible to apply for re-election, along with any appointments made since the previous Annual Shareholders' Meeting. The Company does not pay retirement benefits to any Director on retirement.

Board Processes

The Board has a regular onsite meeting schedule complemented by teleconference meetings. There were 10 Board meetings and 20 teleconference special meetings for the year ending 30 June 2018.

Board Composition and Performance Review

The Board regularly reviews its composition and as a result has introduced three new Directors in the last three and a half years. The Board Chair is not the Chief Executive Officer. The Board initiated a performance review by external consultants in July 2016. The procedure for assessing Director and Board performance is set out in the Board Charter. Board members are encouraged to participate in learning and self-development opportunities provided by the Institute of Directors or other professional groups.

PRINCIPLE 3 – BOARD COMMITTEES

The Board uses Committees where this enhances the effectiveness in key areas while retaining Board responsibility. The Board operates two Committees to assist in the execution of the Board's duties: the Remuneration & Human Resources Committee and the Audit & Risk Committee. Each Committee has a specific Charter which can be viewed at the Company's website www.comvita.co.nz. Committee members are appointed from members of the Board and membership is reviewed on an annual basis. All matters determined by Committees are submitted to the full Board as recommendations for Board decision. Staff members attending those Committees are at the invitation of the specific committee.

Board Member	Board		Conference Calls & Special Meetings		Audit & Risk		Remuneration & HR	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Neil Craig	10	10	20	19	3	3	4	4
Alan Bougen*	3	1	3	2	3	3	-	-
Luke Bunt	10	10	20	19	3	3	-	1
Murray Denyer**	10	8	20	15	-	-	4	4
Brett Hewlett	10	9	20	20	-	-	4	4
Sarah Kennedy	10	10	20	16	3	3	-	-
Sarah Ottrey	10	9	20	18	-	-	4	3
Paul Reid	10	9	20	16	3	3	-	-

* Retired from the Board 18 October 2017.

** Special leave from the Board for an extended period for health reasons.

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Remuneration & Human Resources Committee

The Remuneration & Human Resources Committee comprises of Murray Denyer (Chair), Sarah Ottrey (retired 13 July 2018), Neil Craig and Brett Hewlett and met four times during the period. The Committee recommends the remuneration policies and packages, including performance incentives for the Chief Executive Officer and the Leadership team. Additionally it reviews: the performance of the Chief Executive Officer; succession planning for the Senior Executive team and the Board; risk and compliance monitoring in relation to the Company's human resources and operational health and safety oversight; the Company's performance in respect of responsible governance, and remuneration policies and guidelines for Directors.

Audit & Risk Committee

The Audit & Risk Committee comprises Luke Bunt (Chair), Sarah Kennedy, Neil Craig and Paul Reid and met three times during the period. The Committee reviews the annual audit process, the financial and operational information provided to the stakeholders and others, the management of business risk to the organisation, and the framework of internal control and governance which the Leadership team and the Board have established. The Chief Executive Officer, Chief Financial Officer and General Manager Finance regularly attend meetings. The Company's external auditors attend Committee meetings as deemed necessary by the Committee.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board demands integrity both in financial reporting and in the timeliness and balance of disclosure on entity affairs.

The Company is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company.

Financial Reporting

The Audit & Risk Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements. It reviews half-year and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit. Management accountability for the integrity of the Company's financial reporting is reinforced by the certification from the Chief Executive Officer and Chief Financial Officer in writing that the Company's financial statements are fairly stated in all material aspects.

Timely and Balanced Disclosure

Continuous disclosure obligations of NZX require all listed companies to advise the market about any material events and developments as soon as the Company becomes aware of them. The Company has policies and monitoring in place to ensure that it complies with these obligations.

Non Financial Reporting

The Company has had a long commitment to reporting on its involvement on 'matters of sustainability' – refer to page 16 for this years disclosure. The issue of reporting more widely on non-financial matters is work in progress.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and Senior Executives is transparent, fair and reasonable. Making sure team members and Directors get the rewards they deserve is the responsibility of the Remuneration & Human Resources Committee, a committee of the Board.

Non-Executive Directors Remuneration

The fees payable to the Non-Executive Directors are determined by the Board within the aggregate amount approved by shareholders. The Board considers external information of peer companies in terms of scale and complexity when setting remuneration levels. The current Directors' fee pool limit is \$610,000 approved at the 2016 Annual Shareholders' Meeting.

CEO Remuneration

The Chief Executive's base salary is \$440,000 per annum. The CEO is entitled to short-term incentive rewards if (a) he meets agreed financial, and non-financial goals used in a balanced scorecard approach (up to 20% of base salary); and (b) the Company exceeds a specified shareholder earnings target (up to 20% of base salary), subject to Board approval. The CEO is part of a long-term partly paid executive scheme available to senior executives. This scheme is described separately in the annual report.

Senior Executive Remuneration

Senior Executives remuneration is made up of: base or fixed remuneration; an 'at-risk' component based around individual 'myscorecard' performance in the year; and a share of a bonus pool if shareholder earnings targets are achieved, subject to Board approval. In addition, 63 executives currently participate in a partly paid executive share scheme.

Staff Remuneration

All staff participate in a bonus pool based on the Company attaining the agreed budget. In addition, all staff have the opportunity to participate in a share purchase scheme - the company provides a non-interest bearing loan of up to \$2,340 to assist staff to purchase Comvita shares.

PRINCIPLE 6 – RISK MANAGEMENT

The Board regularly verifies that the entity has appropriate processes that identify and manage potential and relevant risks through monthly board reporting of the Strategic Risk Register and Operational Risk Register.

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Business Risks

The Chief Executive Officer and Leadership team are required to regularly identify the major risks affecting the business. These major risks are included in a risk management register. Strategies are consistently being developed to mitigate these risks. Significant risks are discussed at each Board meeting, or as required. The Company maintains insurance policies that it considers adequate to meet the insurable risks of the Group. Exposure to any foreign exchange risk is managed in accordance with policies laid down by the Directors.

As risk assessment is a dynamic environment and often commercially sensitive, the Company reports on the most significant of these under its continuous disclosure obligations to the NZX market, and in the annual report.

Health and Safety

The Company employs a General Manager - Health, Safety & Environment and operates a Health and Safety Committee to identify workplace hazards, and monitor and review compliance with the Company's documented occupational Health and Safety policies and procedures. Health and Safety review reports are a priority agenda item at all Board meetings and specific reviews are sought as required. The Board undertakes ongoing Health and Safety education and visits key operational sites on a scheduled basis. For further Health and Safety disclosures, refer to page 17.

Chief Executive Officer and Chief Financial Officer Assurance

The Chief Executive Officer and Chief Financial Officer have provided the Board with written confirmation that the Company's 2018 financial statements are founded on a sound system of risk management and internal compliance and control; and that all such systems are operating efficiently and effectively in all material respects.

Risk Monitoring

The Audit & Risk Committee reviews the Company's risk management policies and processes and the Leadership team provides an updated risk assessment profile to each meeting of the Board. The Remuneration & Human Resources Committee reviews human resource management risks.

PRINCIPLE 7 – AUDITORS

The Board ensures the quality and independence of the external audit process.

Independence

To ensure the independence of the Company's external auditor is maintained, the Board has agreed the external auditor should not provide any services not permitted under International Federation of Accountants regulations. This is monitored by the Audit & Risk Committee.

External Auditor

Comvita's external auditor is KPMG. KPMG was re-appointed by shareholders at the 2017 Annual Shareholders' Meeting in accordance with the provisions of the Companies Act 1993. KPMG were first appointed as auditors in 1998. KPMG has been invited to attend this year's Annual Shareholders' Meeting and will be available to answer questions about the audit process, Comvita's accounting policies and the independence of the auditor.

Internal Audit

Comvita currently does not have an internal audit function. The Audit and Risk Committee is responsible for reviewing and monitoring the Company's risk management and internal control framework and has open communication with external auditors, financial and senior management, and the Board. The Committee is empowered to investigate any matter brought to its attention with full access to all books, records and facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose. In addition, the Board seeks reports on specific areas of potential concern, or to evaluate business performance on a post-investment basis.

The reviews are completed by appropriate internal staff and/or with external input.

PRINCIPLE 8 – SHAREHOLDER RIGHTS & RELATIONS

The Board fosters constructive relationships with shareholders which encourages them to engage with the Company.

The Board aims to ensure shareholders are provided with all information necessary to assess the Company's strategic direction and performance. It does this through a communication strategy which includes:

- Periodic and continuous disclosure to NZX;
- Information provided to media and briefings to major shareholders;
- Half-year and annual reports;
- The Company's website with an investor relations section;
- Future direction presentation at the Annual Shareholders' Meeting which is conducted in a very open manner, and a range of questions are considered.

PRINCIPLE 9 – STAKEHOLDER INTERESTS

The Board respects the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose. Comvita aims to manage its business in a way that will produce positive outcomes for all stakeholders including the public, customers, employees, shareholders and suppliers. The Company is strongly committed to acting in a socially responsible manner with all stakeholders, including the wider community.