

Cavalier's Board of Directors ("the Board") is responsible for and committed to maintaining the highest standards of corporate behaviour and responsibility and has adopted governance principles reflecting this.

The Board seeks to follow best practice recommendations for listed companies to the extent that is appropriate for the nature and complexity of Cavalier's operations.

The Board considers that the Company's corporate governance framework materially complies with the 2019 NZX Corporate Governance Code ("NZX Code").

A summary of Cavalier's governance actions and performance against each of the principles in the NZX Code and its compliance with the recommendations relating to each of these principles are set out on pages 1 to 10.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Cavalier expects its Directors, officers, employees and contractors to act legally, ethically and with integrity in a manner consistent with the Company's Code of Ethics.

The Code of Ethics sets out the standard of conduct expected of Directors and employees and the Company's approach to stakeholders. It is supported by other policies and procedures including those that address continuous disclosures, confidentiality of information, conflicts of interest, reporting of concerns and share trading.

Cavalier's Code of Ethics and other key policies and charters relating to corporate governance have been reviewed and aligned with the 2019 NZX Listing Rules ("Listing Rules") and the NZX Code and can be found on the Company's website www.cavcorp.co.nz.

Whistleblowing

Cavalier has established internal procedures to monitor compliance with, and measures for dealing with breaches of, the Code of Ethics. Cavalier encourages employees to speak out if they have concerns. The avenues for doing so are detailed in the Company's Code of Ethics which supports the reporting and investigation of breaches of the Code of Ethics and serious wrongdoing in or by Cavalier.

Conflicts of interest

The Board is conscious of its obligation to ensure that Directors and employees avoid conflicts of interest between their duty to Cavalier and their own interests. Guidance is provided in the Company's Constitution, Board charter and the Code of Ethics.

The Board reviews at every meeting the interests register in which relevant transactions and matters involving the Directors are recorded. It is expected that Directors are sensitive to actual and perceived conflicts of interest that may occur and have constant consideration of this issue.

The Directors' disclosure of interest can be found on pages 95 to 97 of the FY19 Annual Report.

Share trading policy

Cavalier has a Share Trading Policy which, along with the Financial Markets Conduct Act 2013, imposes limitations and requirements on Directors and employees in dealing in the Company's shares. Directors and employees who are likely to have knowledge of, or access to, material information can only buy or sell Cavalier shares during permitted periods and with the written consent of the Board. They must not use their position of confidential knowledge of the Company or its business to engage in share trading for personal benefit or to provide benefit to any third party.

Trading in Cavalier shares while in possession of material information is strictly prohibited.

A regular review of the share register is conducted to ensure compliance with the Share Trading Policy.

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 1.1 (relating to documentation of minimum standards of ethical behaviour) and 1.2 (relating to a financial product dealing policy) of the NZ Code.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

The Board's role is to add long-term shareholder value, while acting in a manner that the Directors believe is in the best interests of the Company and having regard to the interests of its employees and other stakeholders.

The role and responsibilities of the Board are detailed in the Board Charter, which is reviewed at least every two years and is available on the Company's website.

Delegation

The Board delegates the day-to-day management of the Company to the CEO. The CEO in turn delegates authority to senior management. These authorisation levels are set out in the Delegated Authority Policy.

Board composition

The Board comprises Directors who, collectively, have the balance of independence, skills, knowledge, experience and perspectives to meet and discharge the Board's responsibilities. Core competences and skills required include accounting and finance, law, retail, sales and marketing, health and safety, manufacturing and well-developed ability for critical and strategic analysis.

A balance of longer-serving Directors with experience in the Company and newer Directors who bring fresh perspective and insight is desirable. The Board encourages strong individual thinking and rigorous discussion and analysis when making decisions.

As at 30 June 2019, the Board comprised five Directors – Alan Clarke (Chairman), George Adams (Deputy Chairman), John Rae, Grant Biel and Dianne Williams.

The profile of the Directors can be found on pages 20 and 21 of the FY19 Annual Report.

Director independence

The Board charter provides that the Chairman shall be an independent Director and that the majority of the Board shall be independent Directors.

In order to be an independent director, Directors must not be an employee of the Company or have a 'disqualifying relationship'. Independence is determined in accordance with the Listing Rules and having regard to the factors described in the NZX Code.

George Adams, Alan Clarke, John Rae and Dianne Williams are independent Directors of the Company as at 30 June 2019.

Grant Biel is not an independent Director because he is an associate of a substantial product holder in the Company.

Director appointment

Membership of the Board, and appointment and retirement of Directors by rotation, are determined in accordance with the Company's Constitution and Listing Rules.

While the appointment process is the responsibility of the whole Board, the Nomination Committee is tasked with identifying and recommending candidates to fill director vacancies for the approval of the Board. The Committee considers such factors as it deems appropriate, including capability, skill sets, experience, qualifications, judgement and the ability to work with other Directors. Reference checks are carried out on all candidates and key information about candidates is provided to shareholders to assist their decision as to whether to elect or re-elect a candidate.

New Directors are provided with an induction pack containing governance information, key policies and all relevant information necessary to prepare them for their role. New Directors also receive presentations by the CEO and senior management on the key issues facing Cavalier, its operations and the environment and markets in which it operates.

The Company has written agreements with all Directors appointed since 1 October 2017, establishing the terms of their appointment.

The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has a personality that is compatible with the other Directors.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE (continued)**Director training, access to information and advice**

Directors are encouraged to undertake appropriate training and education to ensure they remain current on how to best perform their duties. In addition, the CEO and senior management provide regular updates on relevant industry and company issues.

Directors have unrestricted access to Company information and briefings from the CEO and senior management. Site visits provide the Directors with a better understanding of the business, including its major health and safety risks and how these are managed.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, with the approval of the Chairman.

Evaluation of Director, Board and committee performance

The Board, and the Board's committees, critically evaluate annually their own performance and the performance of the individual Directors. The Board, and its committees, also review annually their own processes and procedures to ensure that they are not unduly complex and are designed to assist the Board and its committees in effectively fulfilling their roles.

Attendance at meetings

Board meetings are usually held monthly (except for January), with other meetings held as and when required to deal with any specific matters that may arise between scheduled meetings.

The table below sets out Director attendance at Board, and committee and shareholder meetings for the year ended 30 June 2019.

	Board	Audit Committee	Remuneration Committee	Nomination Committee ²	Shareholder
Total held	12	5	3	-	1
Attendance:					
George Adams	11/12	5/5	2/3	-	1/1
Grant Biel	12/12	5/5	3/3	-	1/1
Alan Clarke	12/12	5/5	3/3	-	1/1
Sarah Haydon ¹	5/6	2/2	2/2	-	-/1
John Rae	9/12	4/5	2/3	-	1/1
Dianne Williams	12/12	5/5	3/3	-	1/1

¹ Retired from the Board on 30 October 2018.

² All matters that would normally be dealt with by the Committee during the year were dealt with by the Board during Director-only sessions at scheduled Board meetings.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE (continued)**Diversity and inclusion policy**

Cavalier is committed to creating a culture of ‘equality of opportunity’ to drive business engagement and success and:

- sees the diversity of its work force as a key asset and contributor to improved business performance and decision making;
- does not discriminate based on age, race, gender, sexual orientation, ethnicity or any other non-performance related differentiating factor;
- treats its people fairly and respectfully; and
- promotes diversity of thought and action, and unbiasedly rewards capability and achievement.

The Company has a Diversity and Inclusion Policy, a copy of which is published on the Company’s website. This requires the Board to establish measurable objectives for determining the success of the policy and its ‘equality of opportunity’ intent covering the following:

- sharing and promotion of this policy with employees;
- a capability-based approach to recruitment of people from a diverse as possible range of candidates;
- facilitation of opportunities for diversity of thought and action from all levels of the organisation; and
- promotion of diversity and inclusion through company culture programmes and celebrations that bring employees with differing perspectives together.

Pursuant to this Policy, the Company held during the year:

- a roadshow, led by the CEO and senior management, to share and promote the Diversity and Inclusion Policy with employees; and
- a number of company culture programmes and celebrations to promote diversity and inclusion.

The gender composition of the Company’s Directors and officers and the reporting on its progress in achieving the Board’s diversity and inclusion policy objectives are summarised below.

Gender composition	30 June 2019			30 June 2018		
	Male	Female	Total	Male	Female	Total
Directors	4/80%	1/20%	5/100%	4/67%	2/33%	6/100%
Officers ¹	5/83%	1/17%	6/100%	6/75%	2/25%	8/100%
Direct reports of officers	25/66%	13/34%	38/100%	26/74%	9/26%	35/100%
Rest of organisation	248/59%	170/41%	418/100%	266/62%	164/38%	430/100%
Total	282/60%	185/40%	467/100%	302/63%	177/37%	479/100%

¹ Officer is a person, however designated, who is concerned or takes part in the management of the Company’s business but excludes a person who does not report directly to the Board or report directly to a person who reports directly to the Board.

Age composition	30 June 2019		30 June 2018	
	Number	%	Number	%
Under 30 years of age	63	13	58	12
30 to 50 years of age	195	42	206	43
Over 50 years of age	209	45	215	45
Total	467	100	479	100

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 2.1 (relating to a written board charter), 2.2 (relating to nomination and appointment of directors), 2.3 (relating to written agreements with newly appointed directors), 2.4 (relating to disclosure of information about each director), 2.5 (relating to a written diversity policy), 2.6 (relating to director training), 2.7 (relating to regular assessment of director, board and committee performance), 2.8 (relating to board independence) and 2.9 (relating to independence of the chair) of the NZ Code.

PRINCIPLE 3 – BOARD COMMITTEES

The Board utilises committees to enhance Board effectiveness in key areas, while retaining Board responsibility. Committees established by the Board make recommendations to the Board on those matters falling within the scope of the relevant committee charter. They do not act or make decisions unless specifically mandated by their charter or by prior Board authority to do so.

The Board has three standing committees – the Audit Committee, Remuneration Committee and Nomination Committee. Each of these has a Board approved charter (which can be found on the Company's website), setting out the role, responsibilities, delegations and membership requirements. The Board regularly reviews the charters of each Board committee, their performance against those charters and membership of each committee.

The Board believes that committee charters comply with the recommendations in the NZX Code.

The Board appoints the Chairman of each committee. Members are chosen for the skills, experience and other qualities that they bring to the relevant committees.

Cavalier's Board committees as at 30 June 2019 were:

Committee	Role	Members
Audit Committee	Assist the Board in ensuring adequacy of financial management, internal reporting and monitoring processes, integrity of financial reporting, statutory audit quality and independence, internal audit and internal controls.	George Adams (Chairman) Grant Biel Alan Clarke John Rae Dianne Williams
Remuneration Committee	Assist the Board in establishing and maintaining a strong governance framework in respect of remuneration packages for Directors and for the CEO and senior management.	John Rae (Chairman) George Adams Grant Biel Alan Clarke Dianne Williams
Nomination Committee	Assist the Board in ensuring appropriate Board performance and composition and in appointing directors.	Alan Clarke (Chairman) George Adams Grant Biel John Rae Dianne Williams

Independent Takeover Committee

As the Company has a small Board, it is not envisaged that the Board would appoint an Independent Takeover Committee, upon a takeover offer being received, unless there are Directors who are interested in the takeover offer or certain Directors are unavailable to assist on the matter.

The Board has a Takeover Response Policy setting out the objectives of the Company's takeover response strategy and establishing the appropriate protocols to be followed in the event of a takeover offer for the Company, covering, among other things:

- structure of the takeover response team and roles of key groups in the team;
- the Takeovers Code process and timetable;
- steps to be taken on receipt of a takeover notice;
- communication between the Company and the bidder; and
- potential takeover response strategies.

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 3.1 (relating to a written audit committee charter, membership of the audit committee and audit committee chair), 3.2 (relating to attendance at audit committee meetings), 3.3 (relating to a written remuneration committee charter, membership of remuneration committee and attendance at remuneration committee meetings), 3.4 (relating to a nomination committee, a written nomination committee charter and membership of the remuneration committee), 3.5 (relating to other board committees), 3.6 (relating to protocols if there is a takeover offer) of the NZ Code.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board is responsible for the timeliness, accuracy and completeness of all Company disclosures, including its results, financial reporting and all matters relating to its business activities that could have a material effect on the price of Cavalier shares if they were generally available to the market.

The Directors are committed not only to preparing financial statements that comply with New Zealand Generally Accepted Accounting Practice and give a true and fair view of Cavalier's financial position as at balance date and of its operations and cash flows for the year ended on that date, but also to balanced, clear and objective financial reporting.

Timely and balanced disclosure

Cavalier is committed to promoting investor confidence by providing timely, accurate, complete and equal access to material information, both positive and negative, in accordance with the Listing Rules. To achieve and maintain high standards of disclosures, Cavalier has adopted a Continuous Disclosure Policy, which is designed to ensure compliance with NZX continuous disclosure guidance note.

This policy, a copy of which is published on the Company's website, sets guidelines and outlines responsibilities to safeguard the Company against inadvertent breaches of continuous disclosure obligations.

Financial reporting

The Audit Committee assists the Board in providing oversight of the quality and integrity of external financial reporting including the accuracy and completeness of financial statements. In preparing financial statements, the Company also ensures that its financial reporting is accompanied by sufficient explanation and is expressed in a clear and objective manner to assist investors make informed investment decisions.

Non-financial reporting

In addition to shareholders, Cavalier has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its staff, suppliers and customers.

Cavalier is committed to conducting the activities of the Company's business responsibly and sustainably by balancing its economic, environmental and social responsibilities and having regard to how its activities affect employees, contractors, communities and the environment in which it operates.

Insight into Cavalier's assessment of its business, strategy, performance and the transformational shift that is underway to position Cavalier as a design-led wool-focused company can be found on pages 4 to 19 of the FY19 Annual Report.

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 4.1 (relating to a written continuous disclosure policy), 4.2 (relating to making available code of ethics and other key governance documents available on website), 4.3 (relating to balanced, clear and objective financial reporting) of the NZ Code.

The Board notes that environmental and social responsibilities have always been a part of the Company's ethos, but these are not sufficiently formalised to enable it to fully comply with recommendation 4.3 (relating to non-financial disclosure). A detailed framework addressing the Company's environmental and social responsibilities is currently in development with the assistance of a specialist consultancy. The Board expects the Company to be in a position to move towards more formal measuring and monitoring of these key areas within the context of our business and will update shareholders when it reports on the 2020 financial year.

PRINCIPLE 5 – REMUNERATION

The Board has a clear policy for setting remuneration of Directors and senior management at levels that are fair and reasonable to attract, reward and retain the skills, knowledge and experience required to enhance the Company's performance.

The Remuneration Committee assists the Board in discharging its responsibilities in relation to setting and review of Directors' remuneration and senior management objective setting, performance review and remuneration.

External advice is sought as required to ensure remuneration is benchmarked to the market for Directors and senior management positions.

Directors' remuneration

Shareholders resolved at the October 2018 Annual Meeting that the total remuneration to be paid to the non-executive Directors be fixed at a sum not exceeding \$450,000 per annum, such sum to be divided amongst them in such proportions and in such manner as they may determine.

The remuneration payable to the Directors was last reviewed and approved by the Board on 18 January 2019, with the current scale of Directors' remuneration applying from 1 January 2019 set out on page 75 of the FY19 Annual Report (note 8f of the notes to the financial statements).

The total remuneration paid to the Directors for the year ended 30 June 2019 was \$387,090, with the details paid to each Director set out on page 97 of the FY19 Annual Report.

CEO's remuneration

The remuneration of the CEO is set independently, and without any involvement of the CEO, on an arm's length commercial basis as recommended by the Remuneration Committee and approved by the Board.

The CEO's remuneration comprises a fixed base salary, fringe benefits and a variable short-term bonus that is payable annually. Bonuses are paid against targets covering profitability and growth as well as strategy, health and safety and culture as agreed with the CEO at the commencement of the period.

The remuneration of the CEO can be analysed as follows:

Year ended 30 June	Base salary	Employer superannuation contributions	Other benefits	Fixed remuneration	Short term variable remuneration	Long-term variable remuneration	Total remuneration
2019	\$493,747	\$14,812	\$17,708	\$526,267	–	–	\$526,267
2018	\$474,757	\$14,243	\$16,345	\$505,345	\$40,177	–	\$545,522

Subsequent to balance date, the Board introduced a share-based long-term incentive scheme for the CEO and selected members of the senior management team, with the scheme designed to align their interests with those of shareholders.

Entitlements under the scheme are based on the extent to which the CEO and selected members of the senior management team are able to generate total shareholder returns (being increase in share price and dividends paid) in excess of the Company's cost of capital over a three-year performance period, with shares to be issued under the scheme subject to the 3% share cap provided for under the Listing Rules.

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 5.1 (relating to director remuneration), 5.2 (relating to remuneration policy), 5.3 (relating to disclosure of remuneration arrangements for the CEO) of the NZ Code.

PRINCIPLE 6 – RISK MANAGEMENT

Cavalier is committed to the effective management of risk, which is fundamental to the Company's growth and profitability targets and outcomes.

The Company maintains a risk management framework for the identification, assessment, monitoring and management of risk and has in place, among other policies, a Treasury Management Policy and a Delegated Authority Policy to manage specific risks.

The Board is responsible for overseeing and approving the risk management framework and tolerance levels as well as ensuring that an effective assurance system is in place.

The material financial risks facing the business and the management of these risks are discussed at pages 60 to 70 of the FY19 Annual Report (see note 7 of the notes to the financial statements).

Health and safety

The Board has a Health and Safety Policy, a copy of which is published on the Company's website.

The policy provides the context, direction and framework within which all other health and safety materials are developed. It is the foundation for managing health and safety risks whilst applying a learning and people-centric lens to our operations and risk management.

The Board adopts a risk-based approach to health and safety risk management, focusing on strengthening critical risk management, while continuing to develop organisational capability and accountability for making health and safety an integrated part of our business. Health and safety is a regular agenda item at Board meetings and Directors complete site visits which include a health and safety focus. There is an on-going emphasis on learning from events that have a medium or higher health and safety risk potential, regardless of whether they have resulted in injury or harm to proactively prevent reoccurrence of similar events.

The Health and Safety program has concentrated on strengthening control effectiveness for key critical risks including moving vehicles (and forklifts), falling objects and moving plant. This has included physical pedestrian separation zones, upgraded plant safety features and optimisation of racking systems, all executed within a cycle of continuous improvement and with the input and support of our site Health and Safety committees.

While the Board does not have a Health and Safety Committee, there is a Health and Safety Panel – comprising George Adams, as the Board's representative, the CEO and senior management. A new position of General Manager – Health & Safety was created during the 2019 financial year in recognition of the value that strong health and safety performance creates, with Dr Kirstine Hulse appointed to this position.

The critical risk program continues, with work to develop leading and lag indicators around control effectiveness and organisational capability commencing.

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 6.1 (relating to adoption of a risk management framework and reporting and management of material risks) and 6.2 (relating to health and safety risks) of the NZ Code.

PRINCIPLE 7 – AUDITORS

External audit

The Board is responsible for ensuring the quality and independence of the statutory audit process and has adopted an External Audit Independence Policy, a copy of which is published on the Company's website.

The Audit Committee is charged with considering, and making recommendations to the Board regarding, any issues relating to the independence, performance, appointment or termination of the external auditor.

The Committee reviews the quality and cost of the statutory audit undertaken by the Company's external auditor and provides a formal channel of communication between the Board, senior management and external auditor. The Committee also assesses the external auditor's independence on an annual basis.

The external auditor is prohibited from undertaking any work that impairs, or is seen to impair, independence and objectivity with respect to the statutory audit. Other services provided by the external auditor for the year ended 30 June 2019 were non-audit related and were approved pursuant to the External Audit Independence Policy as having no effect on the independence or objectivity of the external auditor in relation to its statutory audit work.

In determining whether a non-audit related service impinges on the independence or objectivity of the external auditor, consideration is given to, among other things, the people doing the work, the nature of the work done and whether it involves any calculations of balances in the financial statements or for financial reporting.

Cavalier's external auditor also attends the Annual Meeting and is available to answer questions relating to the conduct of the statutory audit and the preparation and content of the auditor's report.

KPMG was the external auditor for the 2019 financial year, having been automatically reappointed at the November 2018 Annual Meeting. The last key audit partner rotation was in respect of the statutory audit for the year ended 30 June 2017.

The fees paid to KPMG for audit and non-audit work for the year ended 30 June 2019 are set out on page 48 of the FY19 Annual Report (see note 3e of the notes to the financial statements).

Internal audit

Cavalier operates an independent internal audit programme that provides objective assurance of the effectiveness of the internal control framework.

Internal audit assists the Board and the Audit Committee to accomplish their objectives by bringing a disciplined approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes.

Internal audit adopts a risk-based assurance approach that is approved by the Board and has the autonomy to report significant issues directly to the Audit Committee or, if considered necessary, the Chairman of the Board.

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 7.1 (relating to establishment of a framework for the issuer's relationship with its external auditor), 7.2 (relating to external auditor attendance at Annual Meetings) and 7.3 (relating to internal audit functions) of the NZ Code.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

Cavalier respects the rights of shareholders, is focused on fostering constructive relationships with shareholders that encourage them to engage with the Company and values dialogue with institutional and private investors.

Cavalier is also committed to giving all shareholders comprehensive, timely and equal access to information about its activities and keeps shareholders informed through:

- periodic and continuous disclosure, including shareholder presentations, to NZX;
- half year and annual reports;
- the Investor Newsletter;
- the Annual Meeting and any other meetings of shareholders called to obtain approval for Board actions as appropriate; and
- the Company's website.

The Board encourages full participation of shareholders at Annual Meetings to ensure a high level of Director and management accountability and shareholder identification with Cavalier's strategies and goals.

Cavalier:

- has a website www.cavcorp.co.nz where investors and interested stakeholders can access financial and operational information and key corporate governance information about the Company; and
- makes its notice of Annual Meeting available on its website at least 20 working days prior to the meeting.

The Board also encourages shareholders to opt to receive communications from the Company electronically, thereby ensuring that they get access to communications efficiently and in a timely manner.

Compliance with NZX Code recommendations

The Board considers that the corporate governance practices it has adopted and followed during the year comply with recommendations 8.1 (relating to website for investors and interested stakeholders), 8.2 (relating to investor communications with the issuer), 8.3 (relating to right of shareholders to vote on major decisions which may change the nature of the issuer) and 8.5 (relating to notices of annual or special meetings) of the NZ Code.

The Board notes that recommendation 8.4 (relating to preference for a pro-rata offer in a capital raise) did not apply during the year.