



7 April 2015

ANNOUNCEMENT OF NZ MARKETS DISCIPLINARY TRIBUNAL

PUBLIC CENSURE OF PYNE GOULD CORPORATION LIMITED BY THE NZ MARKETS DISCIPLINARY TRIBUNAL FOR A BREACH OF NZX MAIN BOARD LISTING RULES 3.3.1(c) and 3.6.2(c).

1. The NZ Markets Disciplinary Tribunal (**Tribunal**) has approved a settlement agreement between NZX Limited (**NZX**) and Pyne Gould Corporation Limited (**PGC**) dated 25 March 2015 (**Settlement Agreement**) in respect of PGC's breach of NZX Main Board Listing Rules (**Rules**) 3.3.1(c) and 3.6.2(c).

Summary

2. PGC is a New Zealand incorporated company with its ordinary shares quoted on the NZX Main Board. PGC is bound by the Rules.
3. On 3 November 2014, NZX became aware that PGC had failed to comply with its obligations under Rule 3.3.1(c) by failing to ensure that PGC had at least two Independent Directors, and Rule 3.6.2(c) by not having a majority of Independent Directors on its Audit Committee.
4. PGC has admitted the breaches and accepts the penalties outlined below.

Background

5. On 3 October 2014, PGC received notice that Mr Gregory Bright, an Independent Director of PGC, was resigning from PGC's Board and Audit Committee. Mr Bright's resignation was to take effect on 31 October 2014.
6. On 22 October 2014 NZX wrote to PGC, raising the issue of Mr Bright's impending resignation, and the implications for PGC having regard to its obligations pursuant to Rules 3.3.1(c) and 3.6.2(c).
7. As at close of business on 31 October 2014, PGC had not announced the appointment of a new Independent Director to either its Board or Audit Committee.
8. On 3 November 2014, NZX wrote to PGC, notifying PGC that NZX now considered PGC to be in breach of Rules 3.3.1(c) and 3.6.2(c).
9. On 7 November 2014, PGC advised the market that it had appointed Michelle Smith as an Independent Director to sit on both its Board and Audit Committee, effective immediately.

10. Under Rule 3.3.1(c), PGC must ensure that its Board includes at least two Independent Directors.
11. Under Rule 3.6.2(c), PGC must ensure that its Audit Committee has a majority of Independent Directors.
12. From the date of Mr Bright's resignation on 31 October 2014 until 7 November 2014, PGC had only one Independent Director on its Board and did not have a majority of Independent Directors sitting on its Audit Committee.
13. PGC accepts that it breached its obligations pursuant to Rules 3.3.1(c) and 3.6.2(c).

Determination

14. The Tribunal considers breaches of the corporate governance provisions of the Rules to be a serious matter. The corporate governance provisions are important for the integrity of the market, and give investors confidence that directors have been appointed to represent shareholder interests. A breach of the corporate governance rules can bring NZX and the market into disrepute.
15. In determining to approve the Settlement Agreement, the Tribunal considered certain aggravating factors, including that:
 - a. This is PGC's third referral to the Tribunal in the past 12 months, and its second for a similar breach of the corporate governance requirements in recent months.
 - b. While PGC remedied the breach within 5 business days, PGC was unresponsive to NZX Regulation correspondence. It did not respond to NZX's letter of 22 October 2014, regarding its potential imminent non-compliance with the Rules, nor did it respond to NZX's letter of 3 November 2014, after it was in breach of the Rules, other than by announcing the appointment of a director to bring it into compliance on 7 November 2014.
16. In determining to approve the Settlement Agreement, the Tribunal considered certain mitigating factors, including that:
 - a. Mr Bright's resignation was sudden and unexpected;
 - b. The period of the breach was only for five business days, and no Board meetings or Audit Committee meetings were planned or held during that period;
 - c. PGC has now rectified the breaches;
 - d. There is no evidence that any investors have been adversely affected by the breaches; and
 - e. PGC has engaged an external advisor to assist with its future director recruitment and to help ensure it does not breach the corporate governance requirements in the future.

17. The Tribunal notes that Issuers should respond promptly to queries from NZX regarding their compliance with the Rules.

Penalties

18. NZX and PGC have reached a settlement and agreed that:
 - a. This public censure by the Tribunal will be made.
 - b. PGC will pay the costs of the Tribunal (plus GST, if any).
 - c. PGC will contribute \$960 towards the costs of NZX (plus GST, if any).

Approval

19. The Settlement Agreement is approved by the Tribunal pursuant to Rule 10 of the NZ Markets Disciplinary Tribunal Rules ("**NZMDT Rules**"), and as such, the Settlement Agreement is the determination of the Tribunal.

Censure

20. The Tribunal hereby publicly censures PGC for its breaches of Rules 3.3.1(c) and 3.6.2(c).

The Tribunal

21. The Tribunal is a disciplinary body which is independent of NZX and its subsidiaries. The Financial Markets Authority approves its members. Under the NZMDT Rules, the Tribunal determines and imposes penalties for referrals made to it by NZX in relation to the conduct of parties regulated by the market rules.

Dated 7 April 2015