

**APPENDIX 16
CORPORATE GOVERNANCE BEST PRACTICE CODE**

FOREWARD

A Background: Pursuant to NZX Listing Rule 10.5.3(i), Issuers shall disclose in their annual reports the extent to which its corporate governance processes materially differ from the principles set out in the NZX Corporate Governance Best Practice Code (“the Code”).

B Preamble: The Code sets out principles to enhance investor confidence through corporate governance and accountability. The Code is composed of flexible principles which recognise differences in corporate size and culture

1. Code of Ethics

1.1 An Issuer should formulate a code of ethics to govern its conduct.

1.2 The code of ethics should address ethical issues, establish compliance standards and procedures, provide mechanisms to report unethical behaviour and ensure that disciplinary measures are in place for any violations.

1.3 When drafting the code of ethics, the Issuer should consider the following matters:

- (a) conflicts of interest; and
- (b) receipt and use of corporate information; and
- (c) receipt and use of corporate assets and property; and
- (d) Directors giving proper attention to the matters before them; and
- (e) a general obligation to act honestly and in the best interests of the Issuer as required by law; and
- (f) compliance with any other applicable laws, regulations and rules.

2. Directors

Separation of Chief Executive and Chairman

2.1 A Director should not simultaneously hold the positions of Chief Executive and chairman of the Board of the same Issuer.

Appointments to the Board

- 2.2 Unless constrained by size, an Issuer should establish a nomination committee as recommended below in paragraph 3.10.
- 2.3 Every Issuer should have formal and transparent methods for the nomination and appointment of Directors to the Board.

Director Training

- 2.4 Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an Issuer.

Director Remuneration

- 2.5 Unless constrained by size, an Issuer should establish a remuneration committee as recommended below in paragraph 3.7.
- 2.6 Every Issuer should have a formal and transparent method to recommend Director remuneration packages to shareholders.
- 2.7 Directors are encouraged to take a portion of their remuneration under a performance-based Equity Security compensation plan. The Equity Security compensation plan should not vest until at least after two years after the grant of plan entitlements to the Director. Alternatively (or in addition), Directors are encouraged to invest a portion of their cash Directors' remuneration in purchasing the Issuer's Equity Securities.

Information for the Board

- 2.8 Information of sufficient content, quality, and timeliness, as the Board considers necessary to enable the Board to effectively discharge its duties, should be provided to the Board by management.

Board Performance

- 2.9 The Board should establish a formal procedure to regularly assess individual and Board performance.

3. Committees

Audit Committee

- 3.1 Membership on the Audit Committee should comprise solely of non-executive Directors of the Issuer.
- 3.2 The Audit Committee should produce a written charter that outlines the Audit Committee's authority, duties, responsibilities and relationship with the Board.
- 3.3 The Board should regularly review the performance of the Audit Committee in accordance with the Audit Committee's written charter.
- 3.4 Directors who are not members of the Audit Committee and employees should only attend Audit Committee meetings at the invitation of the Audit Committee.
- 3.5 The Audit Committee should also address issues of auditor independence as set out in Section 4 below.
- 3.6 Issuers should identify in their annual report the members of the Audit Committee.

Remuneration Committee

- 3.7 The Issuer should establish a remuneration committee to recommend remuneration packages for Directors to the shareholders. Issuers should identify in their annual report the members of the remuneration committee.
- 3.8 The remuneration committee should produce a written charter that outlines the remuneration committee's authority, duties, responsibilities and relationship with the Board.
- 3.9 The Board should regularly review the performance of the remuneration committee in accordance with the remuneration committee's written charter.

Nomination Committee

- 3.10 An Issuer should establish a nomination committee to recommend Director appointments to the Board. At least a majority of the nomination committee should be Independent Directors. Issuers should identify in their annual report the members of the nomination committee.
- 3.11 The nomination committee should produce a written charter that outlines the nomination committee’s authority, duties, responsibilities and relationship with the Board.
- 3.12 The Board should regularly review the performance of the nomination committee in accordance with the nomination committee’s written charter.

4. Relationship with the Independent Auditor

- 4.1 The Board should establish a formal and transparent procedure for sustaining communication with the Issuer’s independent and internal auditors.
- 4.2 The Board should establish a formal and transparent framework for the Issuer’s relationship with its auditors, including:
 - (a) to ensure that the ability and independence of the auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired; and
 - (b) to address what, if any, services (whether by type or level) other than in their statutory audit role may be provided by the auditors to the Issuer; and
 - (c) to provide for the monitoring and approval by the Issuer’s Audit Committee of any service provided by the auditors to the Issuer other than in their statutory audit role.
- 4.3 In paragraph 4.2, “statutory audit role” means services required by any law to be provided by the auditors, acting as such.