

# CORPORATE GOVERNANCE STATEMENT

The Board and Leadership Team of South Port New Zealand Limited (South Port) are committed to maintaining the highest standards of governance by implementing best practice principles and policies. This Corporate Governance Statement sets out the corporate governance policies, practices and processes adopted and followed by South Port as at 30 June 2020 and has been approved by the Board.

The best practice principles and underlying recommendations used in determining the governance approach of South Port are the principles set out in the NZX Corporate Governance Code (NZX Code). The Board's view is that South Port's corporate governance policies, practices and processes generally follow the recommendations set by the NZX Code. This Corporate Governance Statement includes disclosure to the extent to which South Port has followed each of the recommendations of the NZX Code or, if applicable, an explanation of why a recommendation was not followed and any alternative practices followed in lieu of the recommendation.

The Company's Constitution, the Board and Committee charters, codes and policies referred to in this statement are available to view on the Company's website, [www.southport.co.nz](http://www.southport.co.nz). These documents should be read in conjunction with this statement:

- › Constitution
- › Board Charter
- › Audit & Risk Committee Charter
- › Code of Ethics
- › Protected Disclosures / Whistleblowing Policy
- › Continuous Disclosure Policy
- › Sensitive Expenditure Policy
- › Diversity and Inclusion Policy
- › Director and Executive Remuneration Policy
- › Health and Safety Policies
- › Securities Trading Policy and Guidelines
- › External Auditor Relationship Framework

## PRINCIPLE 1

### CODE OF ETHICAL BEHAVIOUR

**“Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.”**

### CODE OF ETHICS

**Recommendation 1.1:** *The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere to (a code of ethics) and comply with the other requirements of recommendation 1.1 of the NZX Code.*

South Port expects its directors, senior management and employees to maintain the highest standards of honesty, integrity and ethical conduct in day-to-day behaviour and decision making. The Code of Ethics sets out the standard of conduct expected of everyone working at South Port including directors, management, staff and contractors. The Code of Ethics provides a guide to the conduct that is consistent with the company's values and behaviours, business goals and legal obligations. It also outlines internal reporting procedures for any breaches and incorporates the other requirements of Recommendation 1.1 of the NZX Code. An introduction to the Code of Ethics forms part of the induction and training process of new employees. This key corporate governance document is available on the company's website.

### SENSITIVE EXPENDITURE POLICY

This policy sets out the company's expectations on sensitive or discretionary expenditure incurred by directors or employees and is available on the company's website.

### SECURITIES TRADING POLICY

**Recommendation 1.2:** *An issuer should have a financial product dealing policy which applies to employees and directors.*

The company is committed to transparency and fairness in dealing with all of its stakeholders and to ensure adherence to all applicable laws and regulations. The Securities Trading policy governs trading in the company's securities by directors, employees and other associated persons. This policy can be found on the company's website.

## PRINCIPLE 2

### BOARD COMPOSITION AND PERFORMANCE

**“To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.”**

### BOARD CHARTER

**Recommendation 2.1:** *The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.*

The Board has adopted a formal Board Charter to ensure compliance with the NZX Code. The charter sets out the roles, responsibilities and structure of the board and provides guidance for the effective oversight of the company by the board. The board is responsible for setting the company's strategic direction, overseeing the management of the company and directing performance by optimising the short-term and long-term best interests of the company and its shareholders. The board delegates management of the day-to-day affairs and management responsibilities of the company to achieve the strategic direction and goals determined by the board.

## NOMINATION AND APPOINTMENT OF DIRECTORS

**Recommendation 2.2 and 2.3:** *Every issuer should have a procedure for the nomination and appointment of directors to the board. An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.*

The board's procedure for the nomination and appointment of directors to the board is set out in the Board Charter. Careful consideration is given to the composition of the board in relation to the company's needs and operating environment. The board should at all times comprise members whose skills, experience and attributes together reflect diversity, balance, and cohesion and match the demands facing the company. This also applies to the consideration of additional or replacement directors. Priority is given to ensuring the skills, experience and diversity necessary for the board to fulfil its governance role and to contribute to the long-term strategic direction of the company. The board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates.

## DIRECTOR PARTICULARS

**Recommendation 2.4:** *Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.*

The board currently comprises of six independent non-executive directors including a non-executive Chair. The biography of each board member is set out in the "Directors' Profiles" section of this Annual Report and is also available on the company's website.

The size and composition of the board is subject to the limits imposed by South Port's Constitution and in accordance with the provisions of the Port Companies Act 1988. The Constitution requires the board to comprise of a minimum number of six directors. Under the NZX Listing Rules the board is required to maintain at least two independent directors. The criteria for director independence are outlined in the Board Charter. Pursuant to the company's Constitution, one third of the directors retire by rotation at each annual meeting but are eligible for reappointment by shareholders.

## DIVERSITY

**Recommendation 2.5:** *An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.*

The company and its board recognise and believe that building a diverse and inclusive workforce provides significant opportunity to leverage engagement, innovation, productivity and improved service to our customers.

South Port is committed to providing a work environment that recognises and values different skills, ability and experiences and where people are treated fairly in order to attract and retain talented people who will contribute to the achievement of South Port's commercial success.

Diversity and inclusion is a commitment to recognising and appreciating the variety of characteristics that make individuals unique; for example, gender, age, race, ethnicity, culture, disability, education and background.

The South Port Diversity and Inclusion Policy is disclosed on the company's website and includes the following specific measurable objectives set by the board:



- > At least 25% gender diversity across all SPNZ Staff by 2025;
- > At least 20% gender diversity across SPNZ Supervisors by 2025;
- > At least 25% gender diversity across SPNZ Executive by 2025;
- > At least 25% gender diversity across SPNZ Board by 2025;
- > At least 10% gender diversity across operational areas by 2025.

The following table compares the above measurable objectives against the actual data at balance date:

	Target	Actual	Achieved
<b>2020</b>			
Board	>25%	2 (33%)	✓
Executive	>25%	2 (25%)	✓
Supervisors	>20%	1 (17%)	×
Operational	>10%	1 (2%)	×
All Permanent Staff	>25%	20 (19%)	×
<b>2019</b>			
Board	>25%	1 (17%)	×
Executive	>25%	2 (25%)	✓
Supervisors	>20%	1 (14%)	×
Operational	>10%	2 (3%)	×
All Permanent Staff	>25%	20 (20%)	×

The following table sets out the gender composition of South Port's directors and officers at balance date:

	Male	Female	Total
<b>2020</b>			
Directors	4	2	6
Senior Management	6	2	8
	10 (71%)	4 (29%)	14
<b>2019</b>			
Directors	5	1	6
Senior Management	6	2	8
	11 (79%)	3 (21%)	14

## DIRECTOR TRAINING

**Recommendation 2.6:** Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

South Port's directors are expected to undertake continuous education to remain current on how best to perform their responsibilities and keep abreast of changes and trends in governance practices around economic, political, social, financial and legal climates. The board also ensures that new directors are appropriately introduced to management and the business, that all directors are updated on relevant industry and company issues and receive copies of appropriate company documents to enable them to perform their duties.

## EVALUATION OF PERFORMANCE OF DIRECTORS

**Recommendation 2.7:** The board should have a procedure to regularly assess director, board and committee performance.

The Chair of the board leads an annual performance review and evaluation of the board as a whole and of the board committees against the board and committee charters including seeking director's views relating to board and committee process, efficiency and effectiveness, for discussion by the full board. The Chair of the board also engages with individual directors to evaluate and discuss performance and professional development. While there is no prescribed process in place this will be formalised during the 2020/21 financial year.

## DIRECTOR INDEPENDENCE

**Recommendation 2.8:** A majority of the board should be independent directors.

South Port acknowledges that having a majority of independent directors makes it harder for any individual or small group of individuals to dominate the board's decision-making and maximises the likelihood that the decisions being made by the board will reflect the best interests of the entity and its shareholders.



South Port's Board Charter specifies that the Board shall maintain at least a minimum number of two independent directors or where the Board comprises eight or more directors, the number of independent directors shall be at least three or one-third of all directors. The Chair of the board must be a non-executive director.

Every current member of the South Port board is an independent director.

### SEPARATION OF THE BOARD CHAIR AND CHIEF EXECUTIVE OFFICER (CEO)

**Recommendation 2.9:** *An issuer should have an independent chair of the Board. If the chair is not independent, the chair and the CEO should be different people.*

The current Chair of the South Port board, Rex Chapman is an independent Chair. The positions of the Chair and the CEO of South Port are also held by different people.

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#### PRINCIPLE 3

### BOARD COMMITTEES

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**“The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.”**

### AUDIT & RISK COMMITTEE

**Recommendation 3.1:** *An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not the chair of the board.*

The Audit & Risk Committee provides the board with assistance in fulfilling their responsibilities to shareholders, the investment community and others for overseeing the company's financial statements, financial reporting processes, internal accounting systems, financial controls and South Port's relationship with its independent auditors.

The Committee is governed by an Audit & Risk Committee Charter which is available on the company's website. The Board regularly reviews the performance of the Committee in accordance with the Charter.

The company has developed an External Auditor Relationship Framework to ensure external audit independence is in line with best practice to ensure reliable and credible reporting. This framework is disclosed on the company's website.

The Committee comprises of three independent non-executive members of the board of directors.

The Committee Chair, also appointed by the board, cannot also be the Chair of the company. Jeremy McClean is the Audit & Risk Committee Chair. At least one member of the Committee must have an accounting or financial background; Jeremy McClean is a Chartered Accountant and a member of Chartered Accountants Australia & New Zealand.

**Recommendation 3.2:** *Employees should only attend audit committee meetings at the invitation of the audit committee.*

The Chief Executive and Finance Manager attend the Audit & Risk Committee meetings by invitation. South Port's external auditor also attends the Committee meeting by invitation. During each meeting, all executives leave the meeting for a period of time to enable the board to have open discussions with the external auditor without any management present.

### REMUNERATION COMMITTEE

**Recommendation 3.3:** *An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.*

The board does not operate a separate remuneration committee as director and senior management remuneration is considered by the entire board. The Director and Executive Remuneration Policy outlines the structure of director and executive/management remuneration, the formal process for shareholder review, transparency and reporting of actual remuneration paid and bi-annual review of the remuneration policy and process.

### NOMINATION COMMITTEE

**Recommendation 3.4:** *An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.*

The board does not operate a separate nomination committee. The process and procedure for the appointment of directors to the board is outlined in the Board Charter. The appointment of a director is a shareholder decision. Director nominations are called for from shareholders in accordance with the Rules. The board will then consider the candidates who have been nominated for appointment as a director. Directors are selected based on a range of factors including the needs of the board at the time.

### OVERVIEW OF BOARD COMMITTEES

**Recommendation 3.5:** *An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.*

The board does not operate any other committees apart from the Audit & Risk Committee. Consideration has been given as to whether any other standing board committees are appropriate and determined they are not required.



## DIRECTORS' ATTENDANCE AT MEETINGS – 1 JULY 2019 TO 30 JUNE 2020

	Annual Meeting	Board Meeting	H&S Panel Meeting	Audit Committee
<b>Total Meetings</b>	1	12	2	2
R Chapman	1	12	2	2
R Christie*	1	1	0	-
P Cory-Wright	1	11	1	2
T Foggo	1	12	2	-
N Greer**	1	10	2	-
C Kearney	1	12	2	-
J McClean	1	11	2	2

\*R Christie retired by rotation effective 8 November 2019.

\*\*N Greer was elected at the Annual Meeting held on 8 November 2019.

**NOTE:** 3 non-scheduled and 2 scheduled meetings were held during the COVID-19 lockdown period; these were conducted via Zoom and attended by all Directors.

### TAKEOVER PROTOCOLS

**Recommendation 3.6:** The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

The Board has not established protocols for setting out procedures to be followed in the event of a takeover offer. This is because the board considers receipt of a takeover offer to be an extremely unlikely event given the Southland Regional Council's (Environment Southland) majority shareholding in the company.

#### PRINCIPLE 4

### REPORTING AND DISCLOSURE

**“The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”**

The Board is committed to providing full and timely financial and non-financial information that is accurate, balanced, meaningful and consistent. As a listed company, keeping the market informed is a key component to ensure securities are fairly valued.

### CONTINUOUS DISCLOSURE

**Recommendation 4.1:** An issuer's board should have a written continuous disclosure policy.

South Port has a Continuous Disclosure Policy which is available on the company's website.

South Port is committed to providing accurate, timely and consistent disclosures which comply with its continuous disclosure regime, in accordance with the NZX Listing Rules. The company is required to disclose to the market, matters which could be expected to have a material effect on the price or value of the company's shares. Management processes are in place to ensure that all material matters which may require disclosure are promptly reported to the board through established reporting lines. Matters reported are assessed as and when required against the NZX Listing Rules and advised to the market. The Chair and CEO are responsible for communications with NZX and for ensuring that such information is not provided to any person or organisation until NZX has confirmed its release to the market.

All material announcements are posted on the company's website.

### CHARTERS AND POLICIES

**Recommendation 4.2:** An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Information about South Port's corporate governance framework (including the code of ethics, board and committee charters and other selected key governance codes and policies) is available to view on the South Port website – [www.southport.co.nz](http://www.southport.co.nz).

## FINANCIAL REPORTING AND NON-FINANCIAL REPORTING

**Recommendation 4.3:** *Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosures at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.*

## FINANCIAL REPORTING

The Audit & Risk Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements. The Committee is committed to balanced, clear and objective financial reporting.

It reviews half-yearly 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 and the Finance Manager. The Chief Executive and the Finance Manager have provided the board with written confirmation that the company's financial report presents a true and fair view, in all material respects, of the company's financial position for the year ended 30 June 2020, and that the operational results are in accordance with relevant accounting standards.

## NON-FINANCIAL REPORTING - SUSTAINABILITY

South Port assesses its exposure to environmental, economic and social sustainability as part of an overall framework for managing risk (see Principle 6 – Risk Management). The company is committed to improving standards of environmental performance to enable a more efficient and sustainable future. Accordingly, the following initiatives have been developed which are incorporated into regular management reporting to the board.

Currently the Company's sustainability initiatives cover:

- › Compliance with Environment Southland's 'Discharge Agreement';
- › Managing and reporting on key risks facing the business;
- › Consideration of environmental impacts when undertaking new capital projects;
- › Regular reporting on health and safety initiatives;
- › Reporting on the impact of the company's process improvement programme 'PACE' to highlight continuous improvements and efficiencies implemented in the business;
- › Reporting on time spent assisting local organisations such as the Southland Chamber of Commerce, Southland Export Forum and SoRDS;
- › Reporting on community and regional assistance including sponsorship and donations (both monetary and time resource).

Director remuneration is paid in the form of director's fees. On 25 October 2018 the shareholders approved the directors' fee pool limit of \$278,100 per annum.

Information on director remuneration is available in the South Port Annual Report 2020; refer "Statutory Report of Directors" (page 48). It includes a breakdown of remuneration for board fees. There are no separate fees provided for members of the Audit & Risk Committee. Directors are entitled to reimbursement of reasonable travel and other expenses incurred by them in connection with their attendance at board or annual meetings, or otherwise in connection with South Port business.

## REMUNERATION POLICY

**Recommendation 5.2:** *An issuer should have a Remuneration Policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.*

South Port has adopted a remuneration policy which sets out the guiding principles and structure of South Port's remuneration to the board and executives, together with the review process and reporting requirements to ensure that remuneration is transparent, fair and reasonable to meet the needs of the business, corporate governance bodies and shareholders. The board seeks to ensure that directors and executives receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the company.

## EMPLOYEES' REMUNERATION

The board is responsible for reviewing the remuneration of the company's senior management in consultation with the Chief Executive of the company. The remuneration packages of senior management consist of a mixture of a base remuneration package and a variable remuneration component based on relevant performance measures, designed to attract, motivate and retain high quality employees who will enable the company to achieve its short and long-term objectives.

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### PRINCIPLE 5 REMUNERATION

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**"The remuneration of directors and executives should be transparent, fair and reasonable."**

## BOARD OF DIRECTORS REMUNERATION

**Recommendation 5.1:** *An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.*

Details relating to the number of employees and former employees who received remuneration and other benefits in excess of \$100,000 during the year ended 30 June 2020 is available in the South Port Annual Report 2020, refer "Statutory Report of Directors" (page 48).

## CHIEF EXECUTIVE REMUNERATION

**Recommendation 5.3:** *An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long-term incentives and the performance criteria used to determine performance-based payments.*

The Chief Executive's remuneration is made up of fixed remuneration and variable remuneration (short-term incentives only). Variable remuneration refers to remuneration that is "at risk" and linked to individual and organisational performance with clearly defined metrics. The Chief Executive's remuneration is reviewed annually by the board and an external consulting firm is engaged as appropriate to review market relativity and comparability against peer groups.

The fixed remuneration is determined in relation to the market for comparable sized and performing companies and includes all benefits and allowances. The position in the market will normally be comparable to the median. Adjustments are not automatic and are determined by performance which is reviewed annually by the board.

The Chief Executive's remuneration for the year ended 30 June 2020 was made up as follows:

The fixed remuneration includes a base salary, employer KiwiSaver contributions, vehicle allowance and medical insurance.

The short-term incentive (STI) is set at a maximum of \$50,000 per annum for the Chief Executive. 20% of the STI is linked to the Company's financial performance with the actual opportunity being either 0% or 100%. The other 80% of the STI is based on achieving strategic objectives with the actual opportunity in the range of 0% to 100%. Objectives are set each year by the board and for the 2020 year included financial and other targets for

the company overall, as well as personal objectives and targets, appropriate for the role.

Chief Executive Remuneration	
<b>2020</b>	
Fixed Remuneration	\$344,004
Short Term Incentive	\$38,000
Total	\$382,004
<b>2019</b>	
Fixed Remuneration	\$326,320
Short Term Incentive	\$40,000
Total	\$366,320

## PRINCIPLE 6 RISK MANAGEMENT

**"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."**

### RISK MANAGEMENT FRAMEWORK

**Recommendation 6.1:** *An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.*

Risk is the chance of something happening that will have an impact on business objectives. Effective management of all types of risk (financial and non-financial) is a fundamental part of the company's business strategy. The board and senior management have identified, analysed and evaluated a number of key risk areas and a strategy has been developed to appropriately manage the key risks.

## RISK MANAGEMENT AND RESPONSIBILITIES

The Board is ultimately responsible for reviewing and approving the company's risk management strategy.

The Audit & Risk Committee is responsible for overseeing risk management practices and works closely with management, external advisors and the company's auditors to ensure that risk management issues are properly identified and addressed. The board reviews and updates the company's commercial risks matrix at each board meeting.

The board delegates day-to-day management of risk to the Chief Executive, who may further delegate such responsibilities to the executive and other officers.

## RISK MONITORING AND EVALUATION

The Audit & Risk Committee reviews the reports of management and the external auditors on the effectiveness of systems for internal control, financial reporting and risk management.

The company has a separate Risk Management Committee which meets annually to review changes to the risk profile of the business and to consider ways of mitigating additional risks identified. Mr Jeremy McClean as Chair of the Audit & Risk Committee is appointed to the Risk Management Committee as a board representative.

The material risks which may impact the company's ability to achieve its strategic objectives and secure its financial prospects, are managed through the strategic planning process.

## HEALTH, SAFETY & WELLBEING

**Recommendation 6.2:** *An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.*



Health, safety and wellbeing (HSW) continues to be a key focus of the company and continuous improvement has been made in this area over recent years. The company presently has three full-time personnel dedicated to HSW matters in addition to all personnel having responsibility for HSW in their daily work processes.

The Board operates a H&S Panel which consists of the full board, two H&S personnel, together with two senior managers and two staff representatives. The H&S Panel's function is to establish a HSW strategic plan, monitor its implementation, undertake scheduled operational site visits and address key HSW issues facing the business, with the objective of achieving continuous improvement. The H&S Panel meets at least two times each year.

Another important tool used to deliver HSW improvement is the company's PACE Programme, with the H&S component being driven by the South Port H&S Committee. Output from the PACE Programme and the H&S Committee is fed through to the H&S Panel for consideration.

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#### PRINCIPLE 7 AUDITORS

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**“The Board should ensure the quality and independence of the external audit process.”**

#### EXTERNAL AUDIT

**Recommendation 7.1 and 7.2:** *The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures prescribed in the NZX Code. The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.*

The independence of the external auditor is of particular importance to shareholders and the board. The Audit & Risk Committee is responsible for overseeing the external audit of the company. Accordingly, it monitors developments in the areas of audit and threats to audit independence to ensure its policies and practices are consistent with emerging best practice.

The board has adopted a policy on audit independence, the key elements which are:

- > the external auditor must remain independent of the company at all times;
- > the external auditor must monitor its independence and annually report to the board that it has remained independent;
- > the audit firm is permitted to provide non-audit services that are not considered to be in conflict with the preservation of the independence of the auditor; and
- > the Audit & Risk Committee must approve significant permissible non-audit work assignments that are awarded to the external auditor.

#### ENGAGEMENT OF THE EXTERNAL AUDITOR

The Auditor-General is the auditor of South Port. The Auditor-General has appointed Crowe New Zealand Audit Partnership to carry out the audit of the consolidated financial statements of the Group on his behalf.

#### ATTENDANCE AT THE ANNUAL MEETING

Crowe, as auditor of the 2020 financial statements, has been invited to attend the Annual Meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditor's report, accounting policies adopted by South Port and the independence of the auditor in relation to the conduct of the audit.

#### INTERNAL AUDIT

**Recommendation 7.3:** *Internal audit functions should be disclosed.*

Due to its size, the company does not have an internal audit function as recommended by the NZX Code. The Chief Executive is accountable for all operational and compliance risk across the company operations. The Finance Manager has management accountability for the effective implementation and improvement of internal systems and controls.





## PRINCIPLE 8

## SHAREHOLDER RIGHTS AND RELATIONS

**“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”**

## INFORMATION FOR SHAREHOLDERS

**Recommendation 8.1:** *An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.*

South Port seeks to ensure its shareholders are appropriately informed of its operations and results, with the delivery of timely and focused communication, and the holding of shareholder meetings in a manner conducive to achieving shareholder participation.

To ensure shareholders have access to relevant information, the company:

- › Provides a website which contains media releases, current and past annual reports, share price information, notices of meeting and other information about the company;
- › Makes available printed half-year and annual reports and encourages shareholders to access these documents on the website and to receive advice of their availability by email;
- › Publishes press releases on issues/ events that may have material information content that could impact on the price of its traded securities;
- › Issues additional explanatory memoranda where circumstances require, such as explanations of dividend changes and other explanatory memoranda as may be required by law;
- › Maintains regular contact with leading analysts and brokers who monitor the company's activities.

## COMMUNICATING WITH SHAREHOLDERS

**Recommendation 8.2:** *An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.*

Shareholders have the option of receiving their communications electronically, including via email or through South Port's 'Investors Centre' section on the company's website. The board welcomes investor enquiries.

## SHAREHOLDER VOTING RIGHTS

**Recommendation 8.3:** *Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested.*

In accordance with the Companies Act 1993, the company's Constitution and the NZX Listing Rules, South Port refers any significant matters to shareholders for approval at a shareholder meeting. Where shareholder votes are conducted by poll, each shareholder is entitled to one vote per share.

## CAPITAL RAISING

**Recommendation 8.4:** *If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.*

If South Port was to ever look at raising further capital, it would consider the interests of existing shareholders when looking at capital raising options. Where practical, the company would favour capital raising methods that provide existing equity security holders with an opportunity to avoid dilution by participating in the offer. As such, a pro rata offer should be the preferred approach.

For the avoidance of doubt, this does not preclude the company from allowing it to offer equity securities to employees (including executive directors), as the primary purpose of such incentives is not to raise capital.

## NOTICE OF ANNUAL MEETING

**Recommendation 8.5:** *The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.*

South Port posts any Notices of Shareholder Meetings on the website as soon as these are available. The general practice is to make these available not less than four weeks prior to the shareholder meeting.

Shareholder meetings are generally held at the company's place of business (Bluff) at a time which best ensures full participation by shareholders.

Full participation of shareholders at the Annual Meeting is encouraged to ensure a high level of accountability and identification with the company's strategies and goals. Shareholders have the opportunity to submit questions prior to each meeting and senior management and auditors are present to assist in answering any specific queries raised. There is also an opportunity for informal discussion with directors and senior management for a period after the meeting concludes.