

# **SOUTH PORT NEW ZEALAND LIMITED**

## **CORPORATE GOVERNANCE CODE**

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## **CORPORATE GOVERNANCE**

The Board has on the 26<sup>th</sup> day of August 2004 adopted the following Corporate Governance Code:

### **1 CORPORATE GOVERNANCE PRINCIPLES**

#### **1.1 Role of the Board**

The Board is responsible for directing the Company and enhancing its value for shareholders in accordance with good corporate governance principles.

#### **1.2 Chairperson**

The Board elects a Chairperson whose primary responsibility is the efficient functioning of the Board.

#### **1.3 Chief Executive Officer**

The Board appoints a chief executive officer (CEO) who is responsible for the management of the Company in accordance with the strategies approved by the Board.

#### **1.4 Separation of Roles**

The Board endorses the separation of the roles of Chairperson and CEO.

#### **1.5 Link with Performance**

The Board recognises that the quality with which it performs its functions is an integral part of the performance of the Company and that there is a strong link between good governance and performance.

#### **1.6 Annual Review**

This Code outlines the corporate governance principles and guidelines in place to assist the Board in achieving its objective for the Company. The Board annually reviews the Code and reports to shareholders on implementation of the principles and guidelines of the Code and on any significant departures from the principles and guidelines.

#### **1.7 Code of Ethics**

The Board recognises that high ethical standards and behaviours are central to good corporate governance and it is committed to implementing, reviewing and monitoring observance to a written Code of Ethics for the Company. The Code of Ethics applying as at the date of the adoption of this Corporate Governance Code is attached as Appendix A.

#### **1.8 Information to New Directors**

On appointment to the Board a director will be given a copy of this Code, appropriate induction training as to the responsibilities of the directors and a comprehensive appointment letter covering the role of the Board, the Board's expectations of the director and any particular terms of his or her appointment.

## 2 **ROLE OF THE BOARD**

### 2.1 **Company's Objective**

The objective of the Company is to enhance corporate profit and shareholder gain.

### 2.2 **Direction of Company**

In pursuing this objective the role of the Board is to assume accountability for the success of the Company by taking responsibility for the direction and management of the Company.

### 2.3 **Main Functions of the Board**

The main functions of the Board are to:

- (a) approve, and from time to time review, the Company's corporate mission statement;
- (b) select and (if necessary) replace the CEO;
- (c) ensure that the Company has an adequate management to achieve its objective and to support the CEO and that a satisfactory plan for management succession is in place;
- (d) review and approve the strategic, business and financial plans prepared by management and to develop a depth of knowledge of the Company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgment on the probability that such plans can be achieved;
- (e) review and approve individual investment and divestment decisions which the Board has determined should be referred to it before implementation;
- (f) review and approve material transactions not in the ordinary course of the Company's business;
- (g) approve the appointments by, or at the request of, the Company (including its affiliates) to the boards of directors of subsidiary and associate companies;
- (h) monitor the Company's performance against its approved strategic, business and financial plans and to oversee the Company's operating results on a regular basis so as to evaluate whether the business is being properly managed;
- (i) ensure ethical behaviour by the Company, the Board and management, including compliance with the Company's Constitution, the relevant laws, listing rules and regulations and the relevant auditing and accounting principles;

- (j) implement and from time to time review the Company's Code of Ethics, foster high standards of ethical conduct and personal behaviour and hold accountable those directors, managers or other employees who engage in unethical behaviours;
- (k) ensure the quality and independence of the Company's external audit process; and
- (l) assess from time to time its own effectiveness in carrying out these functions and the other responsibilities of the Board.

#### 2.4 **Board Relationship with CEO**

The Board acknowledges that its most important role is to provide high level counsel to the CEO, to constantly monitor the performance of the CEO against the Board's requirements and expectations and to take timely action if the objective of the Company is not being achieved or a correction to management is required.

### 3 **COMPOSITION OF THE BOARD**

#### 3.1 **Board Skills**

The Board should at all times comprise members whose skills, experience and attributes together reflect diversity, balance, cohesion and match the demands facing the Company.

#### 3.2 **Appointments to the Board**

A director appointed by the Board must submit himself or herself for reappointment by shareholders at the next annual meeting following his or her appointment. The Board shall at appropriate intervals review its composition to ensure that it has access to the most appropriate balance of skills, qualifications, experience and background to effectively govern the Company. The Board will, when it considers appropriate, consult with any major shareholders prior to the appointment by the Board of a new director.

#### 3.3 **Board Membership**

The Board has adopted the following principles:

- (a) the minimum number of directors is six, in accordance with the provisions of the Port Companies Act 1988.
- (b) the Board shall maintain at least a minimum number of two Independent Directors (as defined in the NZSX Listing Rules) 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 (rounded down to the nearest whole number of directors), whichever is the greater;
- (c) The Chairman of the Board will be a non-executive director.;

- (d) a majority of directors must be ordinarily resident in New Zealand;
- (e) Board independence from management is vital to ensure that the Board fairly holds management accountable to shareholders. Applying this principle:
  - (i) the CEO is the only executive who may be a member of the Board; and
  - (ii) a Board member should not have a relationship with management (as defined in 3.4) that compromises his or her ability to act independently from management. In practice, however, such relationships may arise in the course of a director's tenure and procedures for dealing with these situations are contained in 3.5;
- (f) a Board member should not have any significant conflict of interest that is potentially detrimental to the Company, including:
  - (i) affiliations with competitors of the Company; and
  - (ii) affiliations with parties that are likely to be a regular counter-party to a transaction with the Company. In practice, however, such conflicts may arise in the course of a director's tenure and procedures for dealing with these situations are contained in 3.5;
- (g) control rights of shareholders (board representation) should, where possible, be aligned to cashflow rights (share ownership). Therefore, significant shareholders or shareholder groups should be represented on the Board. Nevertheless, the Board should also contain some directors not related to or affiliated with any shareholder or shareholder group in order to ensure that the interests of all shareholders are represented;
- (h) the Board seeks diversity in the skills, attributes and experience of its members across a broad range of criteria so as to represent the diversity of shareholders, business types and regions in which the Company operates;
- (i) at least one-third of the directors will retire annually, but are eligible for reappointment by shareholders;
- (j) the Board elects a Chairperson who can be replaced by it at any time.

### 3.4 Independence Definition

A director is regarded as having a relationship that may compromise his or her ability to act independently from management who:

- (a) has been employed by the Company in an executive capacity within the last five years;



- (b) holds 5% or more of the shares on issue in the Company;
- (c) is, directly or indirectly, an adviser or consultant the Company or a member of senior management or who has been in such a relationship within the previous three years;
- (d) has a personal service contract with the Company or a member of senior management;
- (e) within the last five years has had a significant business relationship with the Company (other than as a director) from which the director has derived or is likely to derive 10% or more of that director's annual revenue;
- (f) is employed by a corporation of which a member of senior management serves as a director;
- (g) is a member of the immediate family of any person described above; or
- (h) has had any of the relationships described above with any affiliate of the Company.

### 3.5 **Procedures**

A director must declare to the Board any relationship that might compromise his or her ability to act independently from management (see 3.4) or any conflicts of interest that are potentially detrimental to the Company (see 3.3(d)). As soon as practicable thereafter the Board, or a committee of the Board established for the purpose, will meet to review the relationship or conflict and determine a process to deal with the issue.

### 3.6 **Business Relationships to be Disclosed**

Before accepting appointment to the Board, and thereafter as they occur, a director is required to disclose to the Board all of his or her business relationships.

### 3.7 **Openness to Review**

In considering new appointments to the Board the Board shall take such steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically examine its performance.

### 3.8 **Annual Report**

The Company's annual report will include information about each director, identify which directors are independent and include information on the Board's appointment, training and evaluation processes.

## 4 **ROLE OF THE CHAIRPERSON**

### 4.1 **Chairperson's Responsibilities**

The Chairperson is responsible for co-ordinating the activities of the Board and has the following specific responsibilities:

- (a) to conduct meetings of the Board and of shareholders;
- (b) to schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of the Company's business;
- (c) to prepare, in consultation with the CEO, other directors and Committee chairpersons the agendas for the Board and Committee meetings;
- (d) to define the quality, quantity and timeliness of the flow of information between management and the Board;
- (e) to ensure that issues raised, or information requested, by any director are responded to promptly and as fully as possible;
- (f) to approve, in consultation with the Board, the retention of consultants who report directly to the Board;
- (g) to foster a constructive governance culture and assist the Board and management in assuring compliance with and implementation of this Code and to be principally responsible for recommending revisions thereto;
- (h) to promote and maintain the independence of the Board from management;
- (i) to be principally responsible for evaluating the CEO's performance and to meet with the CEO to discuss the Board's requirements and expectations and the evaluation of the CEO's performance by the board; and
- (j) Ensure that rigorous, formal processes for evaluating the performance of the Board, Board Committees and individual directors are in place and lead these processes.

### 4.2 **Meetings of the Board**

The Chairperson is responsible to ensure that Board meetings are sufficiently well-planned and conducted in a manner that ensures the most effective and efficient use of Board time and energy. The Chairperson takes particular responsibility for leading the Board and setting the tone for the conduct of its meetings and the way in which issues are debated. The Chairperson is responsible to ensure that adequate minutes of the proceedings of meetings of the Board are taken.

#### 4.3 **Relationship with CEO**

The Chairperson is responsible for establishing a close working relationship with the CEO and acting as his or her mentor.

### 5 **DIRECTOR EMPOWERMENT ASSURANCE**

#### 5.1 **Empowerment**

The Board recognises that the way in which it functions impacts on how well the Board performs its role as steward of the Company. Accordingly, the Board has in place procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each director is fully empowered to perform his or her duties as a director of the Company and to fully participate in meetings of the Board.

#### 5.2 **Meetings without CEO**

The Board meets without the CEO at least once a year when the performance, evaluation and remuneration of the CEO and management are reviewed.

#### 5.3 **Attendance at Meetings**

Directors are expected to attend all Board meetings and when this is not possible directors can join the meeting by means of audio communication. In circumstances where a Board member is unable to attend, apologies must be given to the Chairperson.

#### 5.4 **Convening of Meetings**

Board meetings are normally convened by the Chairperson. Any director may request the Chairperson or the secretary to convene a meeting. Notice of a meeting must be given to all directors.

#### 5.5 **Agenda for Meetings**

The agenda for normal Board meetings is determined by the Chairperson. Where a director has requested a meeting the agenda will be as specified by that director. Board members are encouraged to submit items for inclusion in the agenda. In addition each Board meeting has a general business item under which directors may raise issues.

#### 5.6 **Information to Directors**

The Board recognises that appropriate information, provided on a timely basis, is essential to the effective discharge of its duties. The Chairperson and the CEO are responsible for ensuring appropriate Board papers (including any financial reports), that identify and fairly address the key issues concerning the Company, are prepared and distributed to Board members in a format and at a time that allows directors to be fully informed on the affairs of the Company and to properly prepare for discussion at Board meetings.

### 5.7 **Availability of Management**

The Chairperson, in consultation with the CEO, is responsible to ensure the availability of the CEO and management when required by the Board.

### 5.8 **Passing of Resolutions**

The chairperson of the Board has a casting vote, except in the case of an equality of votes where two Directors form a quorum, the chairperson at a meeting at which only two Directors are present does not have a casting vote.

### 5.9 **Evaluation of Information**

The Board evaluates the format of the information it receives at least annually.

### 5.10 **Performance Criteria**

The Board establishes and reviews from time to time performance criteria for itself and reviews its performance against those criteria at least annually.

### 5.11 **Relationship with Management**

The Board recognises that all directors should have access to the CEO and senior management. Each director acknowledges that the division of responsibility between Board and management must be respected. The Board reviews its relationship with management annually.

### 5.12 **Independent Advice**

A director may obtain independent advice at the expense of the Company on issues related to the fulfillment of his or her duties as a director, subject to obtaining the approval of the Audit Committee prior to the incurrence of any advisory fees.

### 5.13 **Indemnities by Company**

The Company indemnifies a director upon joining the Board to the extent provided in section 162 of the Companies Act 1993 and it also indemnifies persons who undertake directorships of other companies at the request of the Company.

### 5.14 **Insurance by Company**

The Company effects director and officers liability insurance cover for the benefit of directors and management.

## 6 **DIRECTOR RESPONSIBILITIES**

### 6.1 **Directors Principal Duties**

The directors are committed to the proper and responsible fulfillment of their duties to the Company and to the shareholders. In particular, the directors are mindful of their duties contained in the Companies Act 1993, the Company's Constitution and the NZX Listing Rules which include the following:

- (a) a director, when exercising powers or performing duties, must act in good faith and in what the director believes to be the best interests of the Company;

- (b) a director must exercise a power for a proper purpose;
- (c) a director must not act, or agree to the Company acting, in a manner that contravenes the law or the Constitution;
- (d) a director must not:
  - (i) agree to the business of the Company being carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors; or
  - (ii) cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors;
- (e) a director must not agree to the Company incurring an obligation unless the director believes at that time, on reasonable grounds, that the company will be able to perform the obligation when it is required to do so; and
- (f) a director when exercising powers or performing duties as a director, must exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation:
  - (i) the nature of the Company;
  - (ii) the nature of the decision; and
  - (iii) the position of the director and the nature of the responsibilities undertaken by him or her.

## 6.2 **Delegation by the Board**

The Board may delegate any of its powers (other than certain powers specified in the Companies Act 1993). However, whenever the Board delegates a power the Board remains responsible for the exercise of the power by the delegate, unless the Board:

- (a) believed on reasonable grounds that the delegate would exercise the power in conformity with the duties imposed on directors by the Companies Act 1993 and the Constitution; and
- (b) has monitored, by means of reasonable methods properly used, the exercise of the power by the delegate.

## 6.3 **Reliance on Information**

A director may rely on information, financial data and professional or expert advice given by any of the following:

- (a) an employee of the Company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) a professional advisor or expert in relation to matters which the director believes on reasonable grounds to be within the person's competence; or
- (c) any other director or committee of directors upon which the director did not serve in relation to matters within the director's or committee's delegated authority.

A director may only rely on others, as described above, if the director:

- (i) acts in good faith;
- (ii) makes proper enquiry where the need for enquiry is indicated by the circumstances; and
- (iii) has no knowledge that such reliance is unwarranted.

#### 6.4 **Confidentiality of Company Information**

A director who has confidential information in his or her capacity as a director must not disclose that information to any person, make use of or act on that information, except:

- (a) for the purposes of the Company;
- (b) as required or permitted by law; and
- (c) in complying with the director's obligation to disclose his or her interest in a transaction with the Company.

#### 6.5 **Authorised Disclosure of Information**

A director may disclose information to a person whose interests the director represents, and may disclose, make use of, or act on information if:

- (a) particulars of the disclosure, use, or act are entered in the Interests Register (see 6.8); and
- (b) the disclosure, use, or act will not be likely to prejudice the Company.

## 6.6 **Code for Securities Transactions**

The directors have agreed to be bound to a code for securities transactions which prescribes the procedure under which directors (and certain other employees) may sell or buy securities of the Company or of companies in which the Company has a significant interest. Before a director may sell or buy securities of the Company, prior approval from the Company is required and the transaction can only take place in a limited period after the Company's most recent profit announcement, subject to the terms of the code. The Share Trading Code applying at the date of adoption of this Corporate Governance Code is attached at Appendix B.

## 6.7 **Inside Information**

While a director has inside information on the Company (or another public issuer) he or she must not trade in, or tip others to trade in, the securities of the Company (or other public issuer).

## 6.8 **Resigning Director**

A director who resigns before the expiry of his or her term will identify to the Board his or her reasons for early retirement.

# 7 **CONFLICTS OF INTEREST**

## 7.1 **General Conflicts**

A director should not have any significant conflict of interest that is potentially detrimental to the Company, including:

- (a) material affiliations with competitors of the Company;
- (b) material affiliations with parties that are likely to be a regular counterparty to a transaction with the Company;

in either of these events a director should consider their ongoing role on the board.

## 7.2 **Disclosure of Interest**

A director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest.

## 7.3 **Participation at Meetings**

A director who is interested in a transaction with the Company may attend and participate at a Board meeting at which the transaction is discussed. However, such a director is not counted in the quorum and may not vote in respect of the transaction, unless it is one in respect of which directors are expressly required by the Companies Act 1993 to sign a certificate.

#### 7.4 **Interests Register**

The Board maintains an Interests Register in which are entered the required disclosures made by directors in respect of matters relating to the Company. Entries in the Interests Register are disclosed in the next annual report.

#### 7.5 **Acting at Arms-length**

A director who, either directly or indirectly, provides goods or services to the Company or an affiliate of the Company must act on an arms-length basis and not use his or her position as a director to influence commercial decisions by the Company or the affiliate.

#### 7.6 **Director Not to Act as a Consultant**

A director, directly or indirectly, may not act as a consultant to the Company.

### 8 **COMMITTEES OF THE BOARD**

#### 8.1 **Purpose of Committees**

The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities.

#### 8.2 **Exclusive Board Matters**

Issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans are dealt with directly by the Board.

#### 8.3 **Committees of the Board**

The Board has constituted one standing Committee, the Audit Committee.

From time to time the Board may constitute an ad hoc Committee to deal with a particular issue facing it which requires specialist knowledge and experience.

#### 8.4 **Composition of Committees**

Each standing Committee shall comprise at least two directors. Only directors may be members of a Committee, but the alternate of a director may take the place of that director where required.

#### 8.5 **Chair of Committees**

Each standing Committee must be chaired by a director other than the Chairperson.

#### 8.6 **Attendance at Meetings**

All directors have the right to attend any meeting of a Committee. In order to be fully informed on the matters for consideration a Committee member may require the attendance of any of the CEO, management, the Company's auditors and advisers.



**8.7 Review of Committees by Board**

The Board will regularly review the performance of each standing Committee in accordance with the charter for each Committee.

**8.8 Publication of Committee members**

The Board will identify the members of the Audit Committee in the Company's annual report.

**8.9 Audit Committee**

The Audit Committee is responsible for:

- (a) monitoring all aspects of the external audit of the Company's affairs including:
  - (i) considering the appointment of the auditors, the audit fee and any issues on their resignation or dismissal;
  - (ii) discussing with the auditors, before the commencement of each audit, the nature and scope of their audit;
  - (iii) reviewing the auditors service delivery plan;
  - (iv) approving the Company's letter of representation to the auditors; and
  - (v) discussing with the auditors any problems, reservations, or issues arising from the audit and referring matters of a material or serious nature to the Board;
- (b) reviewing the half year and annual financial statements, and any other financial statements to be released by the Company, before submission to the Board, focusing particularly on:
  - (i) any change in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments;
  - (iv) the solvency of the Company;
  - (v) the going concern assumption;
  - (vi) compliance with accounting standards; and
  - (vii) compliance with legal stock exchange and other regulatory requirements;
- (c) reviewing any non-routine statements to be issued by the Company;

- (d) regularly reviewing the Company's internal controls and systems;
- (e) monitoring and regularly reviewing the authorities, delegations and procedures under which the Company may be committed;
- (f) considering the findings of any internal investigations and management's response thereto;
- (g) monitoring compliance by the Company with its Constitution, applicable laws and regulations and stock exchange requirements;
- (h) promoting integrity in all aspects of the Company's financial reporting; and
- (i) establishing and regularly reviewing a procedure to identify other situations or circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or the CEO.

#### 8.10 **Audit Committee Procedure**

In carrying out the responsibilities the Audit Committee will:

- (a) meet at least once a year with the auditors and without the CEO or management being present;
- (b) convene a meeting if the auditors so request;
- (c) communicate the outcome of the meeting to the Chairperson as soon as practicable after the meeting;
- (d) regularly report to the Board on the operation of the Company's risk management and internal control processes; and
- (e) provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company.

#### 8.11 **Audit Committee Charter**

The Audit Committee shall produce a written charter that outlines the Audit Committee's authority, duties, responsibilities and relationship with the Board. The Audit Committee charter shall be readily available to shareholders. The Audit Committee charter in place as at the date of adoption of this Code of Corporate Governance is set out as Appendix C.

### 8.12 **Composition of the Audit Committee**

The Audit Committee shall comprise only of non-executive directors (a majority of whom are to be independent) and at least one director who is a chartered accountant or has another recognised form of financial expertise. The CEO may not be a member of the Audit Committee.

## 9 **EXTERNAL AUDIT POLICY**

### 9.1 **Appointment of Auditors**

The auditors of the Company shall be appointed on professional merit.

### 9.2 **Independence of Auditors**

The Audit Committee and Board should be satisfied prior to the appointment of the Company's auditors that there is no relationship between the proposed auditors and the Company or any related person that could compromise the independence of the auditors, and have received written confirmation to that effect from the auditors.

### 9.3 **Full and Frank Dialogue**

The Board recognises the importance of and shall facilitate full and frank dialogue among the Audit Committee, the auditors and management.

### 9.4 **Rotation of Audit leader**

The auditors' lead and engagement audit partners should be rotated after a maximum of five years such that no such persons shall be engaged in an audit of the Company for more than five consecutive years.

### 9.5 **Report on Audit Fees**

The Board shall annually report to shareholders and stakeholders on the amount of fees paid to the auditors for both audit and non-audit work and shall separately identify fees paid for each category of non-audit work.

### 9.6 **Report on Non-Audit work**

The Board shall state in the annual report what non-audit work (if any) was undertaken by the auditors and why this did not compromise the independence of the auditors.

## 10 **REMUNERATION POLICY**

### 10.1 **Alignment of Interests with Shareholders**

The Board promotes the alignment of the interests of the directors, the CEO and management with the long term interests of shareholders.

### 10.2 **Review Process**

The Board is responsible for approving and regularly reviewing, a process by which the remuneration of the Chairperson, the directors, the CEO and management is determined in a transparent, deliberate and objective manner.

### 10.3 **External Advisers**

In determining the remuneration proposed for directors, the CEO and management, the Board will seek external advice from a recognised and competent source, including an evaluation against comparable peer groups.

### 10.4 **Remuneration levels**

The Board has a policy that executives, executive directors and non-executive directors should receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.

### 10.5 **Executive and Non-Executive remuneration**

The Board recognises that it is desirable that executive (including executive director) remuneration should include an element dependent upon the performance of both the Company and the individual, and should be clearly differentiated from non-executive director remuneration.

### 10.6 **Retiring Director Remuneration**

No special remuneration will be paid to a retiring director without the authority of an ordinary resolution of shareholders.

### 10.7 **Annual Report**

The remuneration policies of the Company and the remuneration received by directors will be disclosed in each annual report.

## 11 **THE CHIEF EXECUTIVE OFFICER**

### 11.1 **Responsibilities of CEO**

The CEO is the senior executive of the Company and is responsible for:

- (a) formulating the vision for the Company;
- (b) recommending policy and the strategic direction of the Company for approval by the Board;
- (c) providing management of the day to day operations of the Company; and
- (d) acting as the spokesperson of the Company.

### 11.2 **No Appointment as Chairperson**

The CEO is not eligible to be appointed as the Chairperson. A Chairperson may, however, assume the post of CEO concurrently on a temporary basis when the post of CEO is vacant, for a period not longer than six months. After the initial period of six months, if a CEO has not been appointed, the Board may extend the Chairperson's CEO post for another maximum period of six months.

### 11.3 **Independence of the Board**

The CEO undertakes to respect the independence of directors so as to permit the Board to challenge management decisions objectively and evaluate corporate performance.

### 11.4 **Other Boards**

The CEO will not accept appointment to the board of other companies except for family companies and directorships undertaken at the request of the Company where the Company has a significant interest, except with the consent of the Board.

### 11.5 **Disclosure**

The period of the CEO's employment contract will be disclosed in each annual report.

## 12 **SHAREHOLDER PARTICIPATION**

### 12.1 **Constitution**

The rights of shareholders are contained, or referred to, in the Company's Constitution which is available to all shareholders, and in the Companies Act 1993 and the NZX Listing Rules which are publicly available.

### 12.2 **Board Accountable to Shareholders**

The Board is appointed by, and accountable to, shareholders.

### 12.3 **Reports to Shareholders**

The Board values the opportunity to give comprehensive yet accessible interim and full year reports to shareholders and to meet with them annually.

### 12.4 **Annual Meeting**

The Board recognises that the annual meeting is an important forum at which shareholders can meet with the Board and it encourages shareholders to use the forum to ask questions and make comments on the performance of the Company.

### 12.5 **Directors Attendance**

In usual circumstances all directors will attend the annual meeting.

### 12.6 **Questions from Shareholders**

The Board welcomes input from shareholders and encourages shareholders to submit questions in writing prior to the annual meeting so that an informed answer can be given at the meeting. The Board will ensure that the Company's external auditors are available for questioning by shareholders at the annual meeting.

### 12.7 **Questions not fully Answered**

Questions which are not fully answered at a meeting will be replied to in writing as soon as practicable after the meeting subject to the Company's confidentiality obligations to third parties.

### 12.8 **Company website**

The Board recognises that maintaining an up-to-date website is an important way in which shareholders can readily access key information (including annual reports) about the Company.

## 13 **REPORTING AND DISCLOSURE**

### 13.1 **Annual Report**

In addition to all information required by law, the Board acknowledges that the Company's annual report should include sufficient meaningful information to enable shareholders and stakeholders to be well informed on the affairs of the Company.

### 13.2 **Financial Reports**

The CEO, Finance Manager and at least one director of the Company shall certify in the published financial reports of the Company that the reports comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Company.

### 13.3 **Continuous Disclosure**

The Finance Manager shall be responsible for the Company's compliance with statutory and NZX continuous disclosure requirements and the Board shall be advised of, and consider, continuous disclosure issues at each Board meeting.

### 13.4 **Code of Ethics**

The Company's code of ethics should be published and available to all directors, staff and shareholders. The Board should include information in the Company's annual report about the steps taken to implement the code of ethics and to monitor compliance with the code of ethics including, as appropriate, any serious instances of unethical behaviour and the actions taken.

## **APPENDIX A: SOUTH PORT NEW ZEALAND LIMITED (SP) CODE OF ETHICS**

The SP Code of Ethics is the framework of standards by which the directors and employees of SP and its related companies (*SP people*) are expected to conduct their professional lives and has been approved by the Board. This Code is not intended to prescribe an exhaustive list of acceptable and non-acceptable behaviour, rather it is intended to facilitate decisions that are consistent with SP values, business goals and legal and policy obligations, thereby enhancing performance outcomes. SP people must familiarise themselves with SP values, as they govern their behaviour while they are employed by SP.

Directors, Senior Executives and other employees who are proven to have breached this Code of Ethics will face disciplinary action which, depending on the seriousness and severity of the breach, could include dismissal or legal action or both.

SP directors and managers are expected to lead according to these standards of ethical and professional conduct and to ensure that they are communicated to the people who report to them.

If you have any questions or concerns about an ethical question, or become aware of a breach of a legal obligation or a SP Policy, let the Chairperson of the Board know as soon as possible. If this is not appropriate, contact the Chairperson of the Audit Committee. (Please refer to Article 11, Reporting Concerns, for more information.)

### **1 Conflicts of Interest**

*A conflict of interest occurs when an individual's interests interfere, or appear to interfere, with SP's interests. SP expects SP people to act in SP's interests at all times.*

SP people will not without the prior consent of SP:

- engage in any other business or commercial activities which would conflict with their ability to perform their duties to SP;
- support a political party or organisation other than in a personal capacity;
- be directly or indirectly interested or concerned in any capacity including as a material shareholder (i.e. a shareholder who holds more than 25% of the shares), or as a director, employee, or independent contractor with any other business in the transport and distribution industry; and

- engage in any other activity which could conflict with SP's interests.

## **2 Gifts**

*"Gifts" and "personal benefits" can include accommodation, goods, services, discounts, special terms on loans and so on.*

SP people will not accept gifts or personal benefits of any value from external parties if it could be perceived that such acceptance might compromise or influence any decision by SP.

## **3 Corporate Opportunities**

SP expects its people to advance its legitimate interests when the opportunity to do so arises.

SP people will not:

- take for themselves any opportunity discovered through the use of SP property, information or position;
- use SP property (including SP's name), information or position for personal gain;
- compete with SP; and
- trade in shares, or any other kind of property, based on information that comes from their roles for SP if that information has not been reported publicly.

## **4 Confidentiality**

*SP and SP stakeholders entrust us daily with their confidential communications and information. Confidential information includes all information not in the public domain that has come to a SP employee's knowledge by virtue of working for SP.*

SP people will maintain and protect the confidentiality of information entrusted to SP about work colleagues, stakeholders and SP's business and financial affairs, except where disclosure is allowed by SP or is required by law.

## **5 Behaviours**

*The actions and statements of SP people, whether to customers, suppliers, competitors, or employees, can impact on the way people see SP and whether they choose to do business with us.*



SP people will:

- undertake their duties in accordance with SP values;
- conduct themselves in a way that demonstrates that their honesty is beyond question and will not behave in a manner that has the potential to bring SP's image into disrepute;
- deal honestly with SP's other people, professional advisors and stakeholders;
- not enter into transactions or make promises on behalf of SP that SP cannot or does not intend to honour;
- undertake their duties with care and diligence;
- ensure that any personal opinions SP people express are clearly identified as their own and are not represented to be the views of SP;
- value individuals' differences and treat people in the workplace with respect in accordance with SP's philosophies of equal employment opportunities, and anti-harassment and discrimination policies;
- to the best of their ability, use reasonable endeavours to ensure that SP records and documents, including financial reports, are true, correct and conform to SP reporting standards and internal controls; and
- not accept or offer bribes or improper inducements to or from anyone.

## **6 Proper use of SP Assets and Information**

SP people have a duty to protect SP assets from loss, damage, misuse, waste and theft. SP assets include systems, information, intellectual property and networks.

SP people will:

- only use SP assets for lawful business purposes authorised by SP; and
- only create, and only retain, information and communications required for business needs or to meet legal obligations.

## **7 Compliance with Laws and Policies**

SP people will:

- familiarise themselves with and comply with SP policies, frameworks and processes at all times (including those relating to health and safety);
- abide by the laws, rules and regulations of New Zealand;
- undertake training on legal obligations and policies as required by management from time to time; and
- comply with all statutory and internal disclosure requirements on a timely basis.

## **8 Delegated Authority**

The SP Board of Directors delegates the responsibility of managing the business and affairs of SP to the Chief Executive Officer ("CEO"). The CEO in turn delegates to other levels of management certain rights to make operational and financial decisions within defined limits. A director should not simultaneously hold the positions of CEO and Chairman of the Board.

SP people will:

- only act within the delegated authority framework and any authority that may be specifically given to them as a delegated authority holder; and
- ask their manager if they are uncertain as to their level of delegated authority.

## **9 Additional Director Responsibilities**

Directors are required to:

- undertake appropriate training to remain current on how to best perform their duties as directors of SP;
- give proper attention to all matters put before them;
- have an understanding of the regulatory, legal, fiduciary and ethical requirements affecting directors;
- be familiar with up to date business management techniques and related ethics; and

- have an awareness of special strategic, industry, cultural and other issues that may impact on SP's business.

## **10 Information for the Board**

SP management shall provide the Board with information of sufficient content, quality and timeliness as the Board considers necessary to enable the Board to effectively discharge its duties.

## **11 Reporting Concerns**

If you become aware of a breach of the SP Code of Ethics or any breach of a legal obligation or SP policy, you are responsible for reporting it to your manager or the Board, as appropriate. If this is not appropriate in the circumstances, you should report the breach to the:

- Chairperson of the Board ; or
- Chairperson of the Audit Committee.

SP will stand behind any employee who, acting in good faith, reports a breach, serious problem or wrongdoing. The identity of the person making the report will be kept confidential where possible – there may be situations however where the proper investigation of the matter inadvertently identifies the reporter or requires his or her identification.

SP requires all Directors, Senior Executives and other employees who receive a report of an actual or suspected violation of this Code of Ethics to take all reasonable steps within their control to ensure that:

- the behaviour alleged in the report is thoroughly investigated;
- the rules of natural justice are observed in that investigation; and
- appropriate disciplinary action is taken if the allegation is substantiated.

Any person who knowingly makes a false report of a legal or policy breach may be subject to disciplinary action.

If you suspect that a breach of the delegated authority rules or limits has occurred you should advise your manager and the delegated authority holder whose responsibility it should have been to approve the transaction, as soon as possible.

## **12 Review**

The Code of Ethics is subject to annual review by the Board. If you have feedback on the Code of Ethics please contact the Chairperson of the Board.

## **APPENDIX B - SHARE TRADING CODE**

### **SECURITIES TRADING POLICY AND GUIDELINES**

*This policy applies to all Directors and executives ("Officers") and employees of South Port New Zealand Limited ("South Port New Zealand") and its subsidiaries who intend to trade in South Port New Zealand listed securities. In this policy 'trade' includes buying or selling listed securities, or agreeing to do so, whether as principal or agent, but it does not include subscription for, or the issue of, new securities.*

*In addition to this Policy and Guidelines, further more specific and stringent rules also apply to trading in South Port New Zealand securities, by Directors and certain employees (see [Additional Trading Restrictions for Restricted Persons](#)).*

#### **1. INTRODUCTION AND PURPOSE**

- 1.1 This document details South Port New Zealand's policy on, and rules for dealing in the following securities (**Restricted Securities**):
- Ordinary Shares; and
  - any other listed securities of South Port New Zealand or its subsidiaries, and any listed derivatives (including futures contracts listed on an authorised futures exchange) in respect of South Port New Zealand's securities, from time to time.
- 1.2 Unless the context otherwise requires expressions used in the Policy shall have the meaning given to them in the Securities Markets Act 1988 and the Securities Markets Amendment Act 2006 ("Act").
- 1.3 The Securities Commission has issued an approved procedure for Company Officers selling securities; this policy does not replace that procedure.
- 1.4 The requirements imposed by the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand and any other country where those securities may be listed.

#### **2. BASIC PRINCIPLES**

- 2.1 The Board views it as desirable that Officers, particularly Directors, should hold Securities as a long term investment.
- 2.2 Officers shall only buy or sell Securities in conformity with this Policy and the additional trading restrictions for restricted persons.
- 2.3 Officers should not buy or sell Securities on considerations of short term nature even though dealing may not breach the Act. Generally speaking a sale within 6 months of purchase will be regarded as a breach of this requirement. The Board of South Port New Zealand may determine the period which, in any given circumstance, constitutes a short term.
- 2.4 The restrictions on buying and selling contained in this Policy should be regarded as equally applicable to any buying or selling:
- (a) By the Officer's spouse or dependent children;
  - (b) By a company where the Officer is deemed to hold or have an interest or right in or over the applicable securities;
  - (c) By a trust or a managed fund either where the Officer has a beneficial interest or is a trustee or manager and can influence the decision of that trust or managed fund in the investment of funds.

- 2.5 Short term trading can be a key indicator of insider trading, particularly if undertaken on a regular basis or in large quantities. Therefore, to reduce the risk of an allegation of insider trading, do not trade listed securities on a short-term basis.

### **3. FUNDAMENTAL RULE – INSIDER TRADING IS PROHIBITED AT ALL TIMES**

- 3.1 If you possess “material information” (refer to definition below), then **whether or not** you are a Restricted Person, you must not:
- trade Restricted Securities;
  - advise or encourage others to trade, or hold any Restricted Securities; or
  - pass on the material information to others.
- 3.2 The prohibitions apply regardless of how you learn of the information, and regardless of why you are trading.
- 3.3 The prohibition on insider trading applies not only to information concerning South Port New Zealand’s securities. If a person has material information in relation to listed securities of another issuer (including futures contracts listed on an authorised futures exchange) over listed securities, that person must not trade in those securities.

### **4. INSIDER TRADING LAWS**

- 4.1 If you have any **material information**, it is illegal for you to:
- trade South Port New Zealand’s listed securities;
  - advise or encourage another person to trade or hold South Port New Zealand’s listed securities;
  - advise or encourage a person to advise or encourage another person to trade or hold South Port New Zealand’s listed securities; or
  - pass on the **material information** to anyone else – including colleagues, family or friends – knowing (or where you ought to have known) that the other person will use that information to trade, continue to hold, or advise or encourage someone else to trade, or hold, South Port New Zealand’s listed securities.
- 4.2 This offence, called “insider trading”, can subject you to criminal liability including large fines and/or imprisonment, and civil liability, which may include being sued by another party or South Port New Zealand, for any loss suffered as a result of illegal trading.
- 4.3 In addition to the above, you also have a duty of confidentiality to South Port New Zealand. You must not reveal any confidential information concerning South Port New Zealand to a third party (unless that third party has signed a confidentiality agreement with South Port New Zealand and you have been authorised to disclose the confidential information), or to use confidential information in any way which may injure or cause loss to South Port New Zealand, or use confidential information to gain an advantage for yourself. You should ensure that external advisers keep South Port New Zealand information confidential.

4.4 "Material information" is information that:

- is not generally available to the market; and
- if it were generally available to the market, would have a material effect on the price of South Port New Zealand's listed securities.

- Information is generally available to the market if it has been released as an NZX announcement, or investors that commonly invest in South Port New Zealand's listed securities can readily obtain the information (whether by observation, use of expertise, purchase or other means).

- It does not matter how you come to know the material information (including whether you learn it in the course of carrying out your responsibilities, or in passing in the corridor, or in a lift, or at a social function).

- Information includes rumours, matters of supposition, intentions of a person (including South Port New Zealand), and information, which is insufficiently definite to warrant disclosure to the public.

## **5. BREACHES OF POLICY**

Strict compliance with this policy is a condition of employment. Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

## **6. MONITORING OF TRADING**

South Port New Zealand may monitor the trading of directors and employees as part of the administration of this policy.

## **7. APPLICATION OF POLICY**

The Board of South Port New Zealand has approved this policy. The Board may approve updates, amendments to and exemptions to this policy from time to time, which may be implemented by posting on South Port New Zealand's intranet.

To the extent of any inconsistency with any previous policy or rules relating to this subject matter, this policy prevails over them.

**February 2008**

**If you do not understand any part of this policy, or how it applies to you, you should raise the matter with the Accountant before dealing with any securities covered by this policy.**

## **ADDITIONAL TRADING RESTRICTIONS FOR RESTRICTED PERSONS**

### **1. PERSONS COVERED BY RESTRICTED SECURITIES TRADING RESTRICTIONS**

- 1.1 The additional trading restrictions set out below apply to:
- all Directors;
  - the Chief Executive and all senior officers (all Chief Executive direct reports);
  - trusts and companies controlled by such persons; and
  - anyone else notified by the Chief Executive from time to time.
- 1.2 Persons covered by these additional restrictions are called "**Restricted Persons**". Employees and directors will be considered responsible for the actions of trusts and companies controlled by them. In this respect, "control" is not to be construed in a technical way but by looking at how decisions are made in practice.

### **2. IDENTITY OF HOLDER**

- 2.1 Securities shall only be sold or purchased in the Officer's own name or in the name, or on behalf, of that Officer's spouse or child or in the name of a company where notice of the existence of that company and the Officer's beneficial interest therein has been given to the Board of South Port New Zealand.
- 2.2 Securities held by an Officer at the date of the adoption of this Policy but registered in a name other than those referred to in 2.1 should, if practicable, be transferred so that the South Port New Zealand register of Members complies with 2.1.
- 2.3 Securities registered in a name other than those referred in 2.1 nevertheless come within the Policy.

### **3. REGISTERED DEALINGS PERIODS**

- 3.1 Securities in South Port New Zealand must not be sold or purchased by Directors or Officers of South Port New Zealand unless:
- (a) Notice of that intended sale or purchase in the form set out as Appendix I has been given to South Port New Zealand; and
  - (b) The proposed sale or purchase has been authorised by the Board of South Port New Zealand or by an authorised officer of South Port New Zealand for and on behalf of South Port New Zealand; and
  - (c) Notice of that authorisation has been given to all Directors of South Port New Zealand prior to the next Board Meeting of South Port New Zealand.

### **4. ADDITIONAL TRADING RESTRICTIONS FOR RESTRICTED PERSONS (TRADING WINDOW)**

- 4.1 If authorisation to buy or sell securities has been given under 3.1 (b) then the proposed transaction must take place:
- (a) Not later than 15 trading days after the authorisation is given, and
  - (b) After the annual announcement of results for South Port New Zealand is made to the New Zealand Stock Exchange and prior to 7 November following that announcement, (assuming annual announcement made on or about 8 September); or



- (c) After the half yearly announcement of results for South Port New Zealand is made to the New Zealand Stock Exchange and prior to 30 April following that announcement (assuming half year announcement made on or about 1 March).
- 4.2 Restricted Persons are not permitted to trade any Restricted Securities during any other period than those referred to in 4.1 unless South Port New Zealand's Board provides a specific exemption under exceptional circumstances.

*Please note that if you hold material information you must not trade Restricted Securities at any time – regardless of these periods.*

## **5. PRIOR NOTIFICATION AND ACKNOWLEDGMENT**

- 5.1 An Officer's Dealing Register shall be maintained by the Company. There shall be recorded the time of receipt and particulars of each notification under clause 3.1 (a); any circumstances the Company or a Director considers appropriate to record; the decision and the time it was notified.
- 5.2 The Officer shall be provided with a written acknowledgement consenting to or declining the proposed transaction.
- 5.3 Where an acknowledgement is refused by the Company, the Officer may make further representations to a Director who after consideration under 4.2, may give consent to the transaction or confirm the refusal. The provisions of 4.1 shall apply.

## **6. REQUIREMENTS AFTER TRADING**

- 6.1 A Restricted Person must advise the Chief Executive promptly following completion of any trade, and the Restricted Person must comply with any disclosure obligations it has under the Securities Markets (Disclosure of Relevant Interests by Directors and Officers) Regulations.

## **7. OTHER TRANSACTIONS**

- 7.1 If the proposed sale or purchase relates to:
- (a) A re-organisation or reconstruction of South Port New Zealand capital applying to all shareholders; or
  - (b) The selling of buying of rights to which the Officer is entitled under a registered prospectus issued by South Port New Zealand; or
  - (c) The exercising of rights to subscribe for securities or options to subscribe for securities in South Port New Zealand; or
  - (d) The sale of securities to enable the subscription for rights in South Port New Zealand during the offer period under a rights prospectus issued by South Port New Zealand; or
  - (e) The acquisition of securities pursuant to a bonus issue by South Port New Zealand or under a dividend reinvestment plan of South Port New Zealand open to all security holders if the same class in South Port New Zealand; or
  - (f) The acceptance of an offer for all securities of South Port New Zealand where the offer is made on the Stock Exchange and is open for acceptance for 21 days.

THEN if a notice in the form set out in Part I of Appendix I is given to South Port New Zealand the securities may be dealt with as set out in such notice.





## **APPENDIX C: AUDIT COMMITTEE CHARTER**

### **1. CONSTITUTION**

- 1.1 At a meeting held at Bluff on 21 December 1994, the Board of Directors of South Port New Zealand Limited resolved to establish a Standing Committee of the Board to be known as the Audit Committee in accordance with the Terms of Reference which were subsequently adopted. The Terms of Reference were updated and modified at a subsequent Board Meeting held on 27 August 2004.

The Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to shareholders, the systems of internal controls which management have established and the audit process.

### **2. MEMBERSHIP**

- 2.1 The membership of the Committee and its Chairperson shall be appointed by the Board (by formal resolution) from amongst the non-executive directors of the Company and shall consist of at least three independent members of the Board of Directors.
- 2.2 At least one member shall have an accounting or financial background and other members should have a working knowledge of finance and accounting practices, given the specialised function of the Committee.
- 2.3 The duties and responsibilities of a member of the Audit Committee are in addition to those set out for a member of the Board of Directors.
- 2.4 Members of the Committee will be appointed for a continuous term until otherwise directed by the Board.
- 2.5 The Chairperson will be appointed by the Board and will not be the Chairperson of the company.

### **3. ATTENDANCE AT MEETINGS**

- 3.1 The Chief Executive, Financial Manager and all Committee members shall have the right to attend. A representative from the External Auditor shall also have right of attendance where external audit plans and findings are under discussion.
- 3.2 The Committee may ask any officer or employee of the Company to attend any meeting and provide pertinent information as necessary.
- 3.3 The Committee may meet with the External Auditor and Management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Audit Committee.
- 3.4 The Financial Manager shall be the Secretary of the Committee.
- 3.5 The Committee may also request management to leave a meeting to allow the Committee to discuss matters privately.
- 3.6 A quorum will be a minimum of 2 Directors.
- 3.7 The Committee shall have no executive powers with regard to its findings and recommendations but will recommend to the Board on matters relative to its primary functions

- 3.8 Reasonable notice of meetings and the business to be conducted shall be given to the Committee, the Chief Executive Officer and external auditors.

#### 4. FREQUENCY OF MEETINGS

- 4.1 Meetings shall be held at least two times a year or more frequently as circumstances require. The External Auditor may request a meeting if they consider that one is necessary.
- 4.2 The Committee Chairman shall convene a meeting upon request of any Committee member, Chief Executive Officer, Financial Manager or the external auditors who consider it necessary.
- 4.3 Whenever possible, Committee meetings shall be scheduled to allow for adequate time for Committee business, and so that they can be reported promptly and effectively to the Board.
- 4.4 Meeting No. 1 - business to include:
- (i) Review and approve proposed annual audit plan and scope as prepared and presented by the Company's auditors
  - (ii) Review and recommend to the Board the approval of the fees to be charged by the Company's auditors
  - (iii) Review of the Company's risk management procedures
  - (iv) Approve any proposed changes in accounting policies or practices and review any major accounting problems
  - (v) Review the half-yearly financial statements, including any proposed dividends
  - (vi) Review the draft Directors' Report and review of operations in respect of the half-year
  - (vii) Recommend to the Board approval of the financial statements and announcements to NZX

Meeting No. 2 - business to include:

- (i) Review accounting policies and practices and approve any proposed changes.
- (ii) Review draft annual financial statements including any proposed dividends
- (iii) Review the draft Directors' Report and review of operations,
- (iv) Discuss with the company's Auditor
  - any restrictions placed on their audit
  - any areas of significant concerns
  - their proposed form of audit report
  - compliance with all statutory reporting requirements
  - the Management Review letter
  - the appropriate application of the Company's accounting practices.
- (v) Receive and consider the Management Representation Letter from the Chief Executive Officer and Finance Manager provided as part of the Solvency Test.
- (vi) Recommend financial statements, reports and announcements to NZX to the Board for approval.

#### 5. AUTHORITY

- 5.1 The Audit Committee shall have the power to conduct or authorise investigations into any matters within the Committee's scope or responsibilities. The Committee shall liaise with the Chief Executive in respect of any ancillary information it requires from any employee of the Company and external parties and will be empowered to obtain external legal or other professional advice. The Committee may also require the attendance of Company officers at meetings as appropriate.

## 6. DUTIES AND RESPONSIBILITIES

In meeting its responsibilities, the Audit Committee is expected to:

### General

- 6.1 Provide an open avenue of communication between the external auditors and the Board of Directors.
- 6.2 Review annually and update if necessary the Committee's charter.
- 6.3 Consider, in consultation with Management and the External Auditor, the audit plans and scope of the audit, ensuring the co-ordination of audit effort and the effective use of audit resources.
- 6.4 In consultation with the External Auditor, the Committee can request further areas to be included in the scope of the audit or require specific audit areas to be reviewed in more depth.
- 6.5 Review the conclusions arising from the performance of the external audit.
- 6.6 Confirm and assure the independence and objectivity of the External Auditor.
- 6.7 Review adequacy of insurance cover.
- 6.8 Review policies to avoid conflicts of interest and review significant past or proposed transactions between the Company and its employees and directors.
- 6.9 Consideration of the accounting effect of major transactions, e.g. acquisition and disposals.
- 6.10 Recommend to the Board dividends or other distributions to be made to the Company's shareholders and the amount of those dividends or distributions.
- 6.11 In addition, the Committee shall examine any other matters referred to it by the Board.

### Financial Statements

- 6.11 Review with management and the External Auditor at the completion of the annual audit examination and interim review:
  - a. The Company's interim and annual financial statements and related notes,
  - b. The External Auditor's limited review or audit of the financial statements and the reports thereon,
  - c. The solvency calculation and basis of valuations which support any intended dividend distribution,
  - d. Any significant changes which have been required in the External Auditor's audit plan,
  - e. Any serious difficulties or disputes with management encountered during the course of the audit, and
  - f. Other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards.

### **Internal Control**

- 6.12 Enquire of management and the External Auditor about significant risks or exposures and evaluate the steps taken to minimise such risk to the Company.
- 6.13 Consider and review with management significant findings during the year and management's responses thereto.
- 6.14 Undertake a regular overview and assessment of the appropriateness of the functions of internal control and internal audit within the Company.
- 6.15 Explore and review matters raised by the External Auditor with the Chief Executive and monitor the effect of any proposed changes concerning:
  - a. The adequacy of the Company's Management Letter, together with management expense claims,
  - b. Any related significant findings and recommendations of the External Auditor, together with management's responses thereto,
  - c. The contents of the External Auditor's Management Letter, together with management's responses thereto.

### **External Audit**

- 6.16 Recommend to the Board of Directors, the External Auditors to be appointed and their compensation, review and approve the scope and quality of their work, and their discharge or resignation.
- 6.17 Review legal and regulatory matters that may have a material impact of the financial statements.
- 6.18 Confirm and assure the independence of the external auditors.

## **7. REPORTING**

The Committee is accountable to the Board. In this regard, the Committee shall:

- 7.1 Update the Board on the Committee's activities and make appropriate recommendations.
- 7.2 Analyse and review on behalf of the Board the interim and annual reports and accounts prior to signature and publication.
- 7.3 Prepare a report for inclusion in the Annual Report that describes the Committee's composition and responsibilities and how they were discharged.
- 7.4 The Secretary shall distribute copies of the minutes of meetings of the Committee to all members of the Board of Directors, the Chief Executive Officer, external auditors and to such other persons as the Board directs and the minutes shall be an agenda item for the next following Board Meeting.
- 7.5 Ensure that the Board is made aware of any matters which may significant impact on the financial condition or affairs of the Company and its business.