

NZX Proposed Corporate Governance Regime: August 2003

Proposed NZX Listing Rule Requirement	Compulsory Compliance	Corporate Governance Code of Best Practice
Corporate Governance Disclosure		
	Issuers must include in their Annual Report a statement on whether and how their Corporate Governance policies, practices and processes adopted or followed, materially differ from the NZX Corporate Governance Best Practice Code	
Composition of an Issuer's Board of Directors		
Independent Directors	The Board must have at least two Independent Directors, or if there are eight or more Directors, at least three or one-third (rounded down) of the Board must be Independent Directors	
	There are three instances where the Board must consider the Issuer's compliance with the requirement to have the requisite number of Independent Directors. These instances are:	
	<ul style="list-style-type: none"> - no later than 10 business days after the Issuer's annual meeting - no later than 10 business days following Board appointment of a Director - prior to publication of the Issuer's annual report 	
	In each case, communication to the market of the Board's determination should be made	
CEO/Chairman		A Director may not simultaneously hold the positions of Chief Executive of an Issuer and Chairman of the Board of the same Issuer
Director		Directors should undertake appropriate training to stay up to date on how they can best perform their duties as Directors of the Issuer
Board Committees		
Audit Committee	Every Issuer must establish an Audit Committee	
	The Audit Committee can only comprise Directors of the Issuer, have a minimum of three members and a majority of these must be Independent Directors	The Audit Committee should only be comprised of non-executive directors
	At least one member of the Audit Committee must have an accounting or financial background	
	The Audit Committee must ensure that the external auditor or lead audit partner is changed every five years	
		The Audit Committee should have a written charter
		The Board must regularly review performance of the Audit Committee against its written charter
		Directors who are not members of the Audit Committee should only attend committee meetings at the invitation of the Audit Committee
		The Audit Committee should address issues of auditor independence. Issuers should identify Audit Committee members in their annual reports

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Remuneration Committee		Every Issuer should establish a Remuneration Committee to recommend remuneration packages for Directors to shareholders
		The Remuneration Committee should have a written charter
		The Board should regularly review performance of the Remuneration Committee against its written charter
Nomination Committee		Every Issuer should have a Nomination Committee, comprising a majority of Independent Directors, to recommend Director appointments to the Board
		The Nomination Committee should have a written charter
		The Board should regularly review performance of the Nomination Committee against its written charter
		Issuers should identify Nomination Committee members in their annual report
Director Remuneration		
		Directors should be encouraged to take a portion of their remuneration under a performance-based equity security Compensation Plan
		Alternatively (or in addition), Directors are encouraged to invest a portion of their Directors' cash remuneration in the purchase of equity securities in that Issuer
Relationship with Independent Auditor		
		The Board should establish a formal and transparent procedure for sustaining communication with the Issuer's independent and internal auditors
Issuer Code of Ethics		
		Issuers should formulate a Code of Ethics to address ethical issues, establish compliance standards and procedures and provide mechanisms to report unethical behaviour and to ensure disciplinary measures are in place for any violations