

DIRECTOR INDEPENDENCE

- 1.1 The board has adopted the NZX independence rules, as set out in the NZX “Corporate Governance Best Practice Code” (August 2003), as its definition of independence.

In addition to adopting the NZX definition of independence, the board will report on any circumstances in which its assessment of independence does not correspond with the guidelines on independence as set out at page 20 of the ASX Corporate Governance Council “Corporate Governance Principles and Recommendations (August 2007)”.

NZX

- 1.2 The NZX defines an independent director as being a director who is not an executive of the company and does not have a “disqualifying relationship” defined by the NZX as being any direct or indirect interest or relationship that could reasonably influence, in a material way, the director’s decisions in relation to the issuer.
- 1.3 The NZX further defines a Disqualifying Relationship as being where:
- (a) the director is a substantial security holder of the issuer, or is an associated person of the substantial security holder (other than solely as a consequence of being a director of the issuer); or
 - (b) where
 - i) the director has a relationship (other than in his/her capacity as a director of the issuer) with the issuer or a substantial security holder of the issuer; or
 - ii) an associated person of the director has a relationship with the issuer or a substantial security holder of the issuer; and
 - iii) by virtue of the relationship in (b) i) or (b) ii) that director or any associated person of that director has derived or is likely to derive, in the current financial year of the issuer, a substantial portion of their annual revenue during such financial year.
- 1.4 In considering whether a director has a Disqualifying Relationship the issuer shall consider all the circumstances including the history of the relationship between the issuer and the director and/or any plans the issuer may have concerning its relationship with the director on an ongoing basis.
- 1.5 NZX considers that generally 10% of a director’s or an associated person’s annual revenue will be a “substantial portion” of their revenue for the purposes of this definition.
- 1.6 The board must identify which directors it has determined to be independent and advise the NZX of such determination at certain prescribed times.

ASX

1.7 The ASX Corporate Governance Council guidelines on independence state that an independent director is a non-executive director (ie. is not a member of management) and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement.

Relationships that may affect independent status includes whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years has been employed in an executive capacity by the company or another group member
- within the last three years has been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
- is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has a material contractual relationship with the company or another group member other than as a director of the company.

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