

Corporate Governance Code

October 2006

The Board of Pyne Gould Corporation Ltd is committed to acting with integrity and expects high standards of behaviour and accountability from all of the Company's officers and staff. As part of this commitment, the Board has adopted this Corporate Governance Code relating to the composition and conduct of the Board. The Board reviews this Corporate Governance Code on an annual basis.

Responsibilities of the Board

The Board of Directors is responsible for determining the direction, strategies and financial objectives of the Company and also for Corporate Governance. The wholly owned subsidiaries, MARAC Finance Ltd and Perpetual Trust Ltd, operate as autonomous companies with their own Boards. The Boards of these companies comprise the same Directors as Pyne Gould Corporation Ltd.

The Board schedules eleven meetings per year, with additional meetings on an as required basis.

Day to day management of the Company is delegated to the Managing Director of Pyne Gould Corporation Ltd and the Chief Executives of MARAC Finance Ltd and Perpetual Trust Ltd. The Board monitors and reviews management's performance in carrying out this delegation.

1. Ethical Standards

The Board has adopted a Code of Ethics which sets out the ethical and behavioural standards expected of the Directors and the Company's staff. This Code addresses, amongst other matters:

- Requirement to act honestly and in the best interests of the Company;
- Receipt and use of the Company's assets and property;
- Receipt and use of Company information;
- Conflicts of interest.

It is the responsibility of the Board to review the Code of Ethics from time to time, to implement the Code and to monitor compliance.

2. Board Composition and Performance

The Board is committed to the principle that there should be a balance of independence, skills, knowledge and experience among Directors so that the Board works effectively.

The Constitution provides that the number of Directors must not be more than ten nor less than three. Currently the Board consists of seven members.

A Director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy in which case the appointed Director retires at the next annual meeting but is eligible for re-election. Nominations for Directors will be called for by the Company three months prior to the Annual Meeting. At each Annual Meeting, one third of the Directors retire from office by rotation but are eligible for re-election. The Managing Director, as an Executive Director, is not subject to retirement by rotation.

No less than one third of the total number of Directors are required to be Independent Directors. A Director is considered to be independent where that Director is not an executive of the Company and where the Director has no direct or indirect interest or relationship that

could reasonably influence, in a material way, the Directors' decisions in relation to the Company.

The Board has in place a formal performance assessment procedure to assist it in ensuring that it has the right composition and appropriate skills, qualifications, experience and background to effectively govern the Company and monitor performance in the interests of its shareholders. This procedure involves a review of Board, Board Committee and individual Director performance on an annual basis.

3. Board Committees

The Board uses Committees where this enhances its effectiveness in key areas. The Board has three permanently constituted Committees which work with management in specific areas of responsibility and then report their findings and recommendations to the Board.

Each of these Committees has terms of reference which have been determined by the Board and which are subject to regular review. These terms of reference set out the Committees' objectives, membership, procedures and responsibilities. Other ad hoc Board Committees are established to deal with specific issues from time to time.

The Board annually reviews the performance of each Committee, to ensure they are operating effectively and in accordance with their terms of reference.

3.1 Audit Committee

The majority of the members of the Audit Committee will be Independent Directors and at least one member will have an accounting or financial background. The Committee will be chaired by an Independent Director. No member of the Committee will be an Executive Director.

The role of the Audit Committee is to assist the board to:

- discharge its financial reporting and regulatory responsibilities;
 - ensure the ability and independence of the external auditor to carry out its statutory audit role is not impaired;
 - maintain effective internal audit and internal control systems; and
- to make recommendations to the Board on the appointment of auditors.

3.2 Remuneration and Appointments Committee

The main responsibilities of the Remuneration and Appointments Committee is to:

- oversee a formal and transparent method of recommending Director remuneration to shareholders;
- assist the Board in establishing remuneration policies and practices for the company and in discharging its responsibilities for reviewing and setting the remuneration of the Managing Director, Chief Executives of MARAC Finance Ltd and Perpetual Trust Ltd and senior executives of the Company; and
- assist the Board in reviewing the Board's composition and the competencies required of prospective Directors, identifying prospective Directors, developing succession plans for the Board and making recommendations to the Board accordingly.

3.3 Credit Committee

The Board has delegated responsibility for overseeing certain aspects of MARAC Finance Ltd's credit function to a Credit Committee. The role and areas of responsibility of this Committee are to:

- approve changes in lending prudential guidelines and major credit policies;
- approve discretion's and onward delegation guidelines for the next level of management;
- consider and determine proposals exceeding management's discretions;
- receive and review reports on credit quality, risk management and policy and procedure adherence; and
- consider and approve provisioning policies and specific provisions.

4. Corporate Trust Boards

The Company has established independent Corporate Trust boards under the Trustee Companies Act for Perpetual Trust Ltd. These boards are responsible for discharging that company's fiduciary obligations and duties in respect of its corporate trust business. These duties include the acceptance of appointments as trustee or statutory supervisor for corporate trust clients, the performance of all duties and the exercise of discretions under those appointments, and overseeing corporate trust compliance monitoring processes and procedures.

The Corporate Trust boards comprise independent members, none of whom are directors of Pyne Gould Corporation or any of its subsidiary companies.

5. Reporting and Disclosure

The Board is committed to full disclosure and an open environment in dealings with shareholders, the investment community, the news media and the general public. The Company has a clear and robust internal process for compliance with the continuous disclosure regime, which includes examination of the issue at each Board meeting.

The Board endorses the principle that it should have a rigorous process for assuring Directors of the quality and integrity of entity financial reports including their relevance, reliability, comparability, and timeliness. The Managing Director and the Chief Financial Officer are required to certify that all published financial reports comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Company.

All directors and officers of the Company are required to obtain prior consent before buying or selling shares in the Company and to certify that their decision to buy or sell shares has not been made on the basis of inside information. All transactions are advised to the NZX, and transactions by Directors recorded in the annual report.

6. Remuneration

The Board is committed to the principle that the remuneration of Directors and executives should be transparent, fair and reasonable. Director's fees in aggregate are approved by shareholders.

The Company's policy is to pay directors' fees in cash. There is no requirement for Directors to take a portion of their remuneration in shares and no requirement for Directors to hold shares in the Company although all Directors do have a shareholding.

7. Risk Management

The Board is committed to the principle that it should regularly verify that the Company has appropriate processes in place to identify and manage potential and relevant risks. The Board receives regular reports on the operation of risk management and internal control processes. The Company has an Internal Audit function which assists the Board in the management of risk.

8. Auditors

The Board has processes in place to ensure the quality and independence of the external audit process, including ensuring that there is no relationship between the Company and Auditor that could compromise the Auditor's independence.

The Board facilitates full and frank dialogue between the Audit Committee, the external Auditors, internal audit, and management.

9. Shareholder Relations

The Board is committed to fostering a constructive relationship with shareholders and encourages them to engage with the Company.

The Company formally reports to shareholders twice a year, an Interim report in February covering the first six months of the financial year and an annual report in September. An

annual meeting is held each year The Company also throughout the year directly advises all shareholders of any material events that occur

The Company maintains an up to date web site – www.pgc.co.nz, on which it maintains a description of the Company's history, activities, and recent performance plus posts all key Corporate Governance documents and all information released to the NZX.

10. Stakeholder Interests

The Board respects the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose. The Company recognises that employees, customers, depositors and suppliers all make an important contribution to the Company but recognises that the interests of shareholders are paramount.