

CORPORATE GOVERNANCE

1. Introduction

Postie Plus Limited ('PPGL') is listed on the New Zealand Stock Exchange (NZX) and accordingly it has a Code of Governance that meets the material provisions of the NZX Corporate Governance Best Practice Code, as set out in Appendix 16 to the NZX Listing Rules. The Code includes guidance on moral, ethical and professional responsibilities. It applies to both Executive and Non-Executive directors.

2. Code of Governance

All Board members and executives of the company are required to confirm in writing their understanding and commitment to the company's Code of Governance. Throughout the year ending 2 August 2009 and in previous years, the Board is committed to adhere to the Code of Governance and considers it has been drafted in a manner consistent with the standards set out in the NZX Guidelines. This section of the Annual Report provides relevant details on PPGL's corporate governance practices.

The Code of Governance states the principles on which it is based, including:

- Integrity and accountability, such qualities being essential to maintaining confidence and trust in the Directors.
- The need to promote the company's performance without prejudicing its compliance obligations.
- The need to ensure long term objectives are not compromised by the short term expectations of shareholders and analysts.

The Code, and the Ethics Policy (see below) incorporated in the Code, sets out paramount obligations to be complied with by Directors:

- Acting with integrity and in the best interests of the company.
- Treating all shareholders fairly.
- Meeting legal obligations, including their fiduciary duties.
- Avoiding conflicts of interest and dealing with any that may arise in a lawful way and in accordance with the company's Constitution.
- Being diligent and attending to the company's business issues in a timely way.
- Maintaining confidentiality and dealing with confidential information only as authorised by the Board.
- Trading in the company's shares only in accordance with the stated policy on share dealings.

3. Ethics Policy

The Board has implemented Ethics Policy to provide guidance to its executives and other employees on how it expects them to conduct themselves when undertaking business on behalf of the company, including the avoidance of conflicts of interest, breaches of confidentiality and the wrongful use of company assets including the company's internal information. The Ethics Policy is based on the values of: Integrity, Honesty and Respect.

These values are integral to Postie Plus Group's inter-relationship with its suppliers, staff, customers and stakeholders. The Ethics Policy is a foundation for our legal compliance with the Fair Trading Act, Health & Safety regulations in the workplace, employment and equal opportunity law, financial management and securities law.

The Ethics Policy will be accessible to all employees and the Board will monitor adherence to the Policy with accountability for unethical behaviour at any level.

The Board has implemented a 'Whistleblower' Policy to provide guidance and assistance to employees who may wish to disclose information that relates to a 'serious wrongdoing' in the workplace.

4. Role of the Board

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to providing a return (dividend) on their investment and adding long-term value to the Company's shares.

The Board is responsible for the proper direction and control of the Company's activities. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and reporting to shareholders.

In making decisions the Board shall consider whether:

- There are any conflicts of interest;
- All relevant facts reasonably available have been provided to the Board;
- The decision is in the best interest of the Company;
- The decision is socially responsible;
- The decision complies with the Code and the Ethics Policy.

In addition to Committee responsibilities (below), individual board members work directly with management in strategic initiatives .

The Board meets monthly except in December. Committees meet regularly and as appropriate through the year.

5. Role of Senior Management

The Board has delegated to the Managing Director responsibility for the day-to-day management of the company, while maintaining overall responsibility for the control framework of the business. The Managing Director is also the Chief Executive Officer and thus part of a senior management team of nine executives. The performance of senior executives is reviewed periodically by the Managing Director against appropriate measures set by the Managing Director.

6. Board Membership

The Board comprises both executive and non-executive directors, with at least 50% required to be non-executive directors. At the time of signing the Annual Report, the Board consisted of four non-executives and one executive director. In recognition of the importance of independent views and the Board's role in supervising the activities of management, non-executive Directors chair the Board and all Board sub-committees.

The constitution of the Company requires at least one-third of the Directors or, if their number is not a multiple of three, then the number nearest to one-third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting.

The Code of Governance sets out the following requirements in relation to Board membership:

- The Chairman must be a Non-Executive Director;
- The number of Non-Executive Directors must exceed or equal the number of Executive Directors;
- Ordinarily there should be not less than two Executive Directors;
- Ordinarily a new Director must be appointed every five years.

7. Board Committees

From its own members, the Board has established an Audit Committee, an Organisation & Remuneration Committee and Nominations Committee. The Committees comprise a majority of non-executive members of the board and operate under Terms of Reference approved by the Board. All Board committees must be chaired by a non-Executive Director.

7.1. Audit Committee (chaired by Paul Smart)

The Audit Committee is responsible for:

- Monitoring the work of the external Auditors and the internal audit function
- Recommending appointment and removal of the Company's external Auditor as appropriate and ensuring that the external Auditor or lead partner of the external Auditor is changed every five years
- Reviewing the Company's financial reports for compliance with appropriate laws and regulations and recommending to the Board adoption of the interim and year end financial statements and recommending the level of dividend

- Surveillance of the broader aspects of responsible corporate governance including the Company's general ethical and legal conduct
- Monitoring the Company's risk assessment and risk management strategies
- Ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company
- Approving the use of the Auditors for any services other than audit services.

7.2. Organisation and Remuneration Committee (chaired by Richard Punter)

The objectives of the Organisation and Remuneration Committee are to:

- Assist the Board in the establishment of remuneration policies and practises for remuneration setting
- Review remuneration arrangements for the Company's Chief Executive Officer, other Senior Executives, and Directors (both non-executive and executive)
- Ensure that the strategy, as agreed by the Board, to manage all aspects of the relationship between the Company and its employees is implemented
- Check that the Company's obligations in respect of legislative requirements, pertaining to the management of employees, are fulfilled.

7.3. The Nominations Committee is a subcommittee of the Organisation and Administration committee, chaired by the Chairman of the Company. It is responsible for identifying and recommending new directors to the Board.

8. Board Access to Information

Directors are entitled to access all relevant company information and to management.

9. Board Performance Evaluation and Training

The Board each year critically evaluates its own performance, processes and procedures.

Individual Directors are evaluated annually through peer review coordinated through the Chairman. The Chairman's review is co-ordinated through another Independent Director.

The Company will contribute towards the reasonable costs of continuing education for directors where it benefits the Company.

10. Directors' Remuneration Policy

Executive Directors receive Directors' fees separate from their executive remuneration.

Total fees for Non-Executive Directors are fixed by the Shareholders in general meeting. Fees are ordinarily paid monthly and are abated where the director is unable to attend the monthly meeting. Individual Directors' remuneration is set out in the Directors' Report on page 18.

Directors are entitled to be paid consultancy fees at market rates for extraordinary services to the company. None have been paid in the 2009 year. [The Company will be utilising consultancy services from Trisha Whiting in the 2010 year].

There are no share options for Directors, no loans are made to Directors and there are no retiring allowances to Directors without shareholder approval.

A minimum of 25% of the Managing Director's total remuneration must be dependent on the Company achieving Budgeted Profit.

Directors' fees shall include an additional payment for the company exceeding Budgeted Profit.

11. Risk Management

The Company has in place procedures to identify areas of significant business risk. Where appropriate the Board obtains advice directly from external advisors. The Board is responsible for ensuring appropriate procedures are in place to identify, monitor, manage, mitigate and insure the various risks to the business.

In mitigation of identified risks, Postie Plus Group Limited has taken the following steps:

- Succession Planning for key executives
- Appointment of an Internal Audit Manager to review and implement internal controls as necessary. To ensure independence, the Internal Audit Manager reports directly to the Audit Committee
- External Consultants have been retained to advise on IT Services, to obtain specialist skills where these are not available internally
- Cross-functional Project Teams have been formed to integrate the acquired businesses and implement standard systems and processes across the company
- Ongoing review and improvement of processes, including significant centralisation of financial and administration processes
- Initiatives to encourage employee acceptance of and participation in new company structure
- Foreign Exchange policies are reviewed at regular intervals with external consultants.

12. Trading in the Company's Shares

The Board has established a policy and procedure for the guidance of Directors and senior executives on the laws governing share trading.

Under the policy, Directors and senior managers are instructed that it is illegal to buy or sell ordinary shares, or any other listed securities that the company may from time to time have under issue, if they have material information that is not generally available to the equities market, and if it were generally available to the market, a reasonable person would expect it to have a material effect on the price of the company's listed securities.

The policy also covers the notification procedures that must be adopted by Directors and senior managers before they buy or sell the company's listed securities.

Appropriate training is provided to the senior managers and any other applicable personnel in the areas of insider trading laws and competition law.

13. Keeping in touch with Shareholders and Stakeholders

PPGL has established a communications and disclosure policy to ensure compliance with NZX disclosure requirements and to ensure accountability for that compliance at a senior executive level.

PPGL has a separate shareholder communications policy aimed to promote effective communications with investors and to encourage shareholder participation at the annual general meeting. A website is maintained with information on the business, copies of all NZSX releases, copies of media releases, interim and full year reports, copies of speeches and presentations made by the company and copies of key governance policies.

The annual general meeting is held at a location that enables the most shareholders to attend and at an appropriate time of day.

Other material is sent to shareholders in the event of any major development affecting PPGL.

The Auditor of the Company is in attendance at the annual general meeting and is able to answer questions related to the audit of PPGL's financial information. Further information related to Investor Relations is set out on page 40 of this Annual Report. Our shareholder relations policies will be published on the Company's website.

The Board has established policies for the Company's relationship with significant stakeholders, for the purpose of ensuring appropriate and ethical conduct related to interaction with stakeholders.

PPGL aims to be a good employer and keeps its employees informed of relevant developments inside the Company through an internal communications strategy. The Company provides staff support services as appropriate.

PPGL has have built professional relationships with its suppliers and executives of PPGL make regular visits to suppliers and their manufacturing facilities.

PPGL strives to ensure an excellent relationship with customers. The Company's trading priority is to "Put the Customer First".

Operational policies and practices are subject to ongoing review.