

Update

Newsletter for members

Chairman's Column...

For over twenty years, Listed Companies has provided an environment for members to discuss and exchange views about important common issues. It has also taken up issues of concern with policy makers and regulators. Over the years it has made submissions on a number of important developments and was also closely involved in the development of the paperless settlements system known as FASTER.

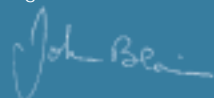
These roles of discussion forum and members' advocate are becoming even more important with the current focus on corporate governance and the need for growth and confidence in New Zealand's capital markets.

Listed companies are the obvious target for market and government regulators keen to show the public that the isolated but high profile disasters of other countries cannot happen here. We have seen a rush of proposals for new and more regulation of listed companies. We should expect this regulatory zeal to continue.

In this climate, Listed Companies see the need for a more active role than was previously necessary. For this reason the Executive has decided to establish a website and a range of services that will better inform members about important issues and ensure that they have an effective and powerful voice.

Our objective is to help listed companies further the long term interests of their shareholders by working for a fair, adequate and efficient regulatory environment.

On behalf of the current Executive I invite all listed companies to help us by giving their active support to the organisation and its activities.



John Blair
Chairman

Directors' and Officers' Interests

Listed Companies made a detailed submission on the discussion paper put out by the Ministry of Economic Development on the kind of disclosure that should be made of securities dealings by directors and officers of listed companies. The submission underscored three key principles:

1 The objective of the regime should be confined to achieve only the disclosure of material interests. The discussion paper seemed to be trying at the same time to catch insider trading. That would

make the rules unnecessarily complicated and imprecise and affect too many people.

2 Disclosure must be adequate but should not be excessive or unnecessary. There was a danger of over disclosure which can lead to confusion and to an obscuring of information of potentially greater value to the market.

3 Disclosure methods must be simple and consistent. There must be efficiency and alignment of the various disclosure regimes affecting listed companies that are contained in companies and securities legislation and in the listing rules.

The submission went on to make a number of specific comments in response to the questions posed in the discussion paper. In particular it condemned any wide definition of "officer" that would have the effect of requiring disclosure from more than a reasonable number of senior managers.

The full submission can be found at www.listedcompanies.org.nz



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Corporate Governance

In May the NZSE (now NZX) released what it called its final recommendations for Corporate Governance and said it was sending these to the Securities Commission for review in accordance with the agreed processes under the memorandum of understanding between NZX and the Commission. Further public comment on the Corporate Governance rules and code was not invited.

Undeterred, Listed Companies engaged in further discussion with the NZX on its proposals. Some points of particular concern raised:

- The concept of the "independent" director and the test of independence. The current proposal may be actually counter-productive by denying

companies the advice and services of effective and knowledgeable board members. This could be a serious problem, especially for smaller listed companies.



- Mandatory certification of directors. This is unlikely to raise board standards but will be a disincentive to well qualified and experienced prospective directors, especially those based off-shore, and will

not encourage new listings by overseas investors.

- Quarterly reporting. Although not mandatory, a "standard" will create pressure on companies to conform with something regarded as unnecessary following the introduction of continuous disclosure.
- Disclosure against best practice code. This should be limited to NZSX 50 companies.

Listed Companies will monitor the progress of the Corporate Governance proposals and report to members on the website and in future newsletters. We can already report that our discussions with NZX on these concerns have been constructive and productive.

Forward Programme

The Listed Companies' agenda is open for topics of common interest to listed companies. Here is a selection:

- corporate governance
- trading halts
- insider trading review
- international accounting standards
- directors' and officers' interests
- quarterly reporting
- listing rules changes
- continuous disclosure
- annual reports – content and availability
- annual meetings
- share registry management

We encourage all listed companies to become involved with Listed Companies in the ongoing debate on these and other important issues.

Legal and Regulatory Framework for NZX

The proposed changes to the NZX regulatory structure were released for public comment in May. Listed Companies made a submission, raising concerns on some key points:

- Whether the proposed "in-house" regulatory system will be adequate. The present system (involving the Market Surveillance Panel) ensures that decisions are made by experienced and independent people. There are doubts that these essential qualities can be replicated in a wholly internal process.
- Publication of waiver and ruling decisions. It is doubtful that immediate publication will assist the

market more than it will discourage or hamper legitimate business initiatives. Any publication should be delayed and take the form of guidelines, so that commercial confidentiality is protected.

- No right of appeal. There should be a right of appeal to an independent body such as the High Court, or possibly the Securities Commission.

The full submission can be found at www.listedcompanies.org.nz

Further news about the NZX proposals will be carried on the website and in future newsletters.

Active Members Wanted

Some 250 companies are listed in New Zealand. Each can take the following practical steps to active membership of Listed Companies.

Become a financial member.

A pro-forma invoice is being sent to company chairmen with this newsletter. Membership is restricted to listed companies. A nominated representative is needed; often, but not necessarily, the company secretary or corporate counsel.

Complete the company profile.

A profile form is being sent to company secretaries with this newsletter.

The information from the company profiles and forthcoming surveys will greatly assist Listed Companies to act as a credible, authoritative and effective advocate for its members.

Join the programme.

Listed Companies holds meetings that allow members to discuss matters of common concern, such as compliance and law reform issues, regulatory and enforcement issues, the role and responsibilities of the company secretary of a listed company, the management of the share registry and issues relating to shareholder reports and meetings. Details of meetings will be given on the website and in newsletters.