



## **LISTED COMPANIES ASSOCIATION**

### **01 September 2017 Update**

Dear LCA Member,

At the last meeting of the Executive Committee, held on 1 June, we reviewed a range of matters outlined below. Activity on various fronts since then has seen: a new regime for section 209 requirements; settling in of the new NZX Corporate Governance Code; new NZX Practice Notes and a Consultation Document about a facilitated transition for SMEs (market cap below \$100m) from NZAX and NXT to NZX Main Board ahead of new Listing Rules.

#### **NZX Listing Rules**

The main focus for the LCA this year remains the NZX's revision of the Listing Rules. The current expectation is that a Discussion Document will be released near the end of September calling for feedback during October on NZX's proposals as well as new suggestions and recommendations from interested parties. Consideration of the responses will flow into a Consultation Document early in 2018.

It is pleasing to note that NZX remains committed to creating a better regime for smaller listed companies. The larger corporates have the resources to more easily keep up to date with corporate governance and related requirements, but often these are a struggle for companies where these issues are less able to be tracked and complied with by usually multi-tasking managers.

Our Executive Committee understands and endorses this approach and we encourage all listed companies to become involved with LCA. It is not just for the "Big End of Town"; there are many opportunities for discussion and guidance among all members and a great willingness to help each other.

#### **LCA Subcommittees**

With that in mind, the Executive Committee has formed a number of subcommittees including a Listing Rules Subcommittee, a Submissions Committee and a Membership Committee whose role will include growing the presence and coverage of the LCA, increase communications with listed entities and other stakeholders and expand LCA's current membership. Should any member wish to contribute to these subcommittees, please let me know. We welcome any engagement members are willing to provide.

#### **Executive Committee Report**

The following is a summary of key discussions at the last Meeting. The full minutes are available on the LCA website: password x022017).

Meeting with NZX on the revision of the Listing Rules: Members of the Listing Rules Subcommittee met with NZX on progress. NZX had already had a lot of interaction with a number of parties and if members have participated in these workshops or consultations, we would be keen to hear your feedback on that consultation. We were advised that NZX is looking at a variety of proposals and consultation is likely to be completed by the end of 2017 with a view to release of an exposure draft in 2018. NZX's approach had been positive and progressive. LCA's (and NZX's) concerns are with smaller companies who will continue to have challenges in areas such as continuous disclosure and actions and matters that due to smaller scale, would impact their share price more often.

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Electronic Annual Reports: MBIE advised that new regulations are being proposed to replace the section 209 requirement if issuers were issuers of regulated products and an FMC entity. There would be an obligation to publish the report on the company's website and maintained on the website for a period of time, likely to be seven years, rather than the initially proposed five. We support the 7-year requirement. Shareholder communications would also be required in that issuers would be required to write to shareholders at least once and this could be by email. Issuers would have to offer shareholders the opportunity to request a hard copy or electronic copy of the report and to state how access to the report could be made available from the company's website. (Subsequently, regulations came into effect on 9 August with a transitional option not to apply the regulations for accounting periods ending on or before 31 December 2017)

Auditor rotation: LCA had been contacted by MBIE and the External Reporting Board (XRB) on the current consultation for auditor rotation. The proposal affected rotation of engagement and review partners a certain number of years and the proposed changes involved an increase in cooling off periods.

NZX New Corporate Governance Code: Members will have seen that the final version was released on 10 May. LCA noted that some additional requirements had been added to be the final version after the initial drafts. These items included a takeover response manual, a requirement that "major items of consideration" should be put to shareholders and "one vote per share". While the group noted that dual listed issuers would not have many issues complying with the requirements for the new NZX Code, there would be extensive changes and updates required for smaller issuers who were not familiar / aware of the ASX Code requirements. Bell Gully are providing guidance to issuers to ensure compliance with the new requirements.

New Zealand Shareholders Association: We met with the new CEO of the New Zealand Shareholders Association, Michael Midgely. The meeting discussed a number of NZSA's concerns ranging from CEO remuneration to virtual / hybrid shareholder meetings and their position on standing proxies. There was agreement that financial literacy, including about the stock markets should be better promoted in secondary schools.

### **Meeting Dates**

With many items concluded and the NZX Listing Rules review awaited, I will, as suggested at the June meeting, postpone the 07 September Executive Committee meeting to Thursday 19 October. That meeting will be able to discuss the anticipated NZX Discussion Document (see below) and extend to a wider members' function before we get too close to Christmas pressures. That will also then replace the planned 05 December meeting. It may be useful for the Listing Rules Subcommittee to meet prior to 19 October, but we will arrange that as necessary.

### **Our Supporters**

LCA and the Executive Committee appreciate the strong, voluntary support of our valued partners, Bell Gully, Chapman Tripp, Kensington Swan, Russell McVeagh and Simpson Grierson. Their professional and administrative support in keeping us up to date and helping to develop coordinated and informed positions on the matters we share is immensely valuable.

We trust that you find the above useful. Should you have any queries about any of the matters we have been discussing or should you wish to raise any other issues for consideration, please us know.

Sincerely,

John Blair

LCA Chair

On Behalf of the Executive Committee