



Listed Companies Association

Meeting Notes

Meeting date: 19/10/17

Meeting Time: 3pm-5pm

Venue: Bell Gully (Auckland & Wellington – by video conference)

Present *John Blair (Chair), Chris Bougen, Karen Clayton, Kirsten Clayton, Luke Facer, Nick Lough, Sarah Miller, Aria Molteni-Luporini, David Raudkivi, Silv Roest, Howard Thomas, Roger Wallis, Roger Williams, Pip Poole*

Attendees *Hamish, Joost, Joanna, (NZX)*

Apologies *Debra Blackett, Jason Boyes, James Cooney, Rachel Dunne, Gerald Fitzgerald, Sarah Gold, Chris Gordon, Pip Greenwood, Don Holborrow, Takeshi Ito, Andrew Matthews, Jason Stein, Matt Vaughan, Joe Windmeyer*

Item	Description
1.	<p>Chairman's Introduction:</p> <p>JB welcomed everyone to the meeting, and noted that following the release of the NZX Listing Rule Review Discussion Paper on 27 September, the LCA's Listing Rules Subcommittee has met to discuss the key issues for wider discussion among members.</p>
2.	<p>NZX Listing Rules Review:</p> <p>Question 1: <i>Is there general agreement with the objectives of the Review, including in particular, the focus on smaller cap companies and simplification?</i></p> <p>There was agreement that the objectives are generally heading in the right direction. There is recognition that the compliance burden is disproportionate for smaller companies, but that this needs to be balanced with the fact that when a company lists, a certain level of sophistication is required for investors' confidence and protection.</p> <p>Question 2: <i>Should there be differentiated standards for "standard" versus "premium" listed companies (or any other adopted segregation of the market)?</i></p> <p>There is support for differentiated standards, however, there is concern that if the differentiation is on a monetary basis, then there might be continual switching between the standards. The idea was discussed of having a test based on an issuer's last published accounts. Other comments were that there might be better labels than standard or premium.</p>



Question 3: *Should foreign listings (including Depository Receipts) and dual listings be promoted by NZX?*

There is support for this idea, consistent with the ASX Foreign Exempt concept and to future proof the rules as well for potential future areas of interest. For example, there was some discussion around the wave of infrastructure investments which are in the pipeline, and that there could be a market place for PPP's.

Question 4: *Is a "principles based" approach to the Listing Rules more effective than specific requirements and metrics?*

The feedback was that generally speaking it is better for the principles to be covered in the NZX Code, and for the Listing Rules to be more black and white. It was noted that some areas lend themselves better to principles based, including independence of directors. Continuous disclosure was discussed, which is largely principles based, and it was noted that some of the content contained in the Guidance Note might be better placed in the Listing Rules (guidance around 5-10% price movement being material for example).

Question 5: *Which existing Listing Rules are not operating effectively?*

Feedback was that it would be good to address rules where frequent waivers and rulings are given, to embed these into the rules themselves. There was minor feedback such as definitions aligning better with the FMCA, whether half year reports are necessary if preliminary results are done. Feedback would be sought from the LCA issuers on specific rules.

Question 6: *Is it appropriate to have overlapping reviews of listed companies' documents required by NZX and FMA?*

Feedback was that it would be helpful to issuers for NZX and FMA to collaborate more and provide combined comments were possible, and to have a more coordinated process.

Question 7: *Do the requirements for director rotation and director independence require change (and if so, to what)?*

Feedback was that the rules are currently over-complicated and should be simplified. Suggestion was made to remove the requirement for the Managing Director to stand for re-election every 5 years.

Question 8: *Should auditor rotation requirements be in Listing Rules or in the Governance Code?*

Feedback was that requirements on this issue within Listing Rules or NZX Corporate Governance may not be needed now that the XRB exists.

Question 9: *What improvements can be made to the continuous disclosure regime, including consideration of the Listing Rules and current guidance?*

Some points had already been raised above. Feedback was given that it would



be helpful for the NZX Continuous Disclosure Guidance note to be expanded, as the ASX note is helpful with more working examples than the NZX Guidance notes.

Question 10 and 11: *What are the appropriate thresholds for major transactions and issues (without shareholder approval) of new securities.*

It was noted that an asset based approach to thresholds for major transactions doesn't work for a lot of tech companies. Feedback was also given that a quantitative threshold alone, and reduced to 25%, may capture business as usual transactions in the ordinary course of business and unnecessarily require shareholder approval. It was noted that requiring shareholder approval can impact on the ability to complete, and timeframes of, transactions. It was discussed that it may be helpful to have a quantitative test mixed with principles which take into consideration the nature of the transaction, with guidance alongside (perhaps the ASX concept of a substantial change to the business).

Issue of new securities will be problematic for growing companies, but the 15% threshold is likely to be less of a problem for big issuers.

General feedback: Feedback was given that it will be important for NZX to ensure there is sufficient time at the next stage of consultation to consider and provide further feedback. The question was raised as to whether it might be helpful to have an intermediary step or preliminary report between now and April. The LCA thanked NZX for being so open to input and for the open dialogue with issuers in relation to the Listing Rule Review.

JB confirmed that following the meeting a template will be circulated to all of the LCA members seeking comments supporting or opposing comments on the key issues or otherwise providing comment on each of the 79 questions offered by NZX.

It is intended to provide all responses, collated into one response and where appropriate, to provide an overview of the consensus on the key issues.

Meeting Closed at 5:00pm