



15 July 2009

Bruce Sheppard, Chairman
and John Hawkins, Governance and Directors' Directory
New Zealand Shareholders Association
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By email to:

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Dear Mr Sheppard and Mr Hawkins

Thank you both respectively for your responses to my 8 July letter to the Board of the Shareholders Association. As the responses are consistent, I thought it may be convenient if I replied to both with this one communication.

I doubt followers of Mr Sheppard's opinion pieces on either the blog or the Association's platform would identify a distinction between Mr Sheppard's personal conclusions and the views of the Association. In fact, it may be that the Association prefers to use Mr Sheppard's blog as its medium of communication on matters it considers may be somewhat controversial.

Mr Sheppard's blog concluded with the following:

"Next blog: An open letter to NZX chairman Andrew Harnos that was so controversial the Shareholders Association would not let me send it. For those who think the association is just me (Greg Muir in particular, he hated getting the Golden Glob last year) please note it is not!"

By inference, the piece with which NZX has taken issue was not so controversial, and the Association did "let me send it".

Doesn't this quote say it all?

I wonder if the Association is hiding behind Mr Sheppard's "personal communications" when it suits it to do so. Mr Sheppard's blog is simply a different delivery channel, but the branding is NZSA as well as Mr Sheppard's.

In response to some of the matters dealt with in your replies, I would like to assure you that neither NZX, nor I as Chair, would seek to limit any individual's expression of his or her views. This is irrespective of whether those views are purported to be personal, or on behalf of an organisation one chairs, and under the auspices of that chairmanship.

I do, however, take exception to those views being founded on an erroneous fact base which may otherwise assume factual status, or even some credibility, simply because it goes unchallenged. I also don't believe that there is ever any need to resort to defamatory material.

For the record, regulation is not a profit-making area of NZX's business, and neither should it be. At a baseline level it represents the intersection between rules and technology, and getting it right contributes to confidence and certainty in our markets, and thereby long-term economic gain for all our stakeholders.

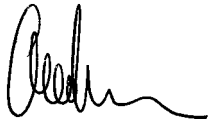
NZX does not, and will not, make decisions in any interests other than market integrity. To do so would undermine both confidence in, and the longer term viability of, our markets.

Regarding the speaking engagement, whilst I am not engaged in NZX's operational matters, I understand that NZX people have attended, and spoken at, numerous Association events over time. That is a matter I will leave to management.

Finally, one of the reasons I welcome a well-functioning and credible Shareholders Association is that it can also contribute to changes in corporate behaviour. Generally, its activities should be consistent with good regulatory outcomes, make a regulator's job easier, and add to long term market integrity.

During my tenure as NZX Chair I would like my relationship with the Association to be characterised by positive and respectful dialogue (whoever and whatever the channel), and to engage with the Association on matters where we can achieve worthwhile, and agreed, outcomes. We will not always agree but I hope we will always share the same long-term objectives for our markets.

Sincerely

A handwritten signature in black ink, appearing to read 'Andrew Harmos', with a stylized, cursive script.

Andrew Harmos
Chairman