



8 July 2009

The Board
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Dear Directors

The Shareholders Association has an important role to play in the broader New Zealand capital markets, and has generally made a positive and worthwhile contribution to debate on governance and shareholder issues.

We respect every thinking person's right to have a view - and there are many issues on which reasonable people can reasonably differ. It would serve us all well if legitimate concerns were aired professionally and courteously, and with regard for New Zealand's best interests, rather than attempts to convey views and to persuade through poorly researched, inaccurate and defamatory materials.

Therefore it is disappointing to read, on occasions that occur with unfortunate frequency, pieces that are so inaccurate that they undermine the Association's credibility and usefulness to the investor community. We are referring most recently to the NZSA Chairman Bruce Sheppard's 6 July "Stirring the pot" blog which is inaccurate in a number of areas, only a few of which are pointed out below. There are other examples, but we do not propose to list them all here. If the NZSA Board wishes, we would be happy to go over them with you.

1. His paragraph 33, in which he asserts, "If NZX investigates a complaint they incur costs, and need to recover these costs from fines etc as mandated by the rules."

If NZXR investigates a complaint it does not recover its costs from fines under the Rules. NZXR will, if appropriate, refer the matter to New Zealand Markets Disciplinary Tribunal (NZMDT), which then decides independently whether a Rules breach has occurred and awards costs arising out of that breach. NZMDT is chaired by an independent QC, and is operationally independent from NZX. NZX has no role, or ability to access, its deliberations. Nor does NZX wish to.

2. His paragraph 31, in which he claims, "Last year NZX tried to get a listing rule passed that said any shareholder holding more than 50% of the shares in a company could not vote on directors' fees or the appointment of independent directors. Securities Commission presumably approved this proposed rule change."

The proposed independent directors listing rule change did not get any form of approval from the Securities Commission. It was part of a consultation document - on which the Shareholders Association did not make a submission. On the basis of the submissions, which were overwhelmingly against the Rule change, NZXR decided not to proceed with the proposal.

3. His paragraph 15, in which he states, "Waivers have always been available to companies upon application except now when a company applies it has to pay a whole lot of money to NZX to consider the waiver request."

The fees for waivers stay the same if a company requires 10 days for processing a request, as under the Rules. The additional fees are for urgency - less than 48 hours' turnaround - which was becoming increasingly common. As a consequence of the scaled fee there are now fewer requests for urgent waivers, with listed companies submitting their requests within the recommended time frame.

In addition, we are concerned at the clearly defamatory nature of several of the comments made in Mr Sheppard's post, amongst them the assertion that NZX would automatically approve a waiver request if a large listed company threatened to delist, and that bribery will result in a regulatory blind eye being turned toward inappropriate conduct ("cross his palm and it will be done"). There are other examples of which we are sure the Association is conscious, and which do not bear repeating in this context.

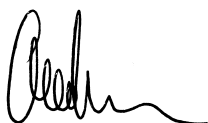
It is difficult to see how defamatory comments such as these benefit shareholders, the New Zealand market, or the Shareholders Association. Therefore NZX, despite the crossing of the legal lines in this post, does not wish to pursue any legal course of action, as it does not see that such action would be in the market's best interests.

When we contrast our progress as a nation - and a national economy - compared with Australia's, the one difference that strikes us most is 'Australia Inc.' - the common vision, purpose, direction and fervent nationalism. Do we have that? Sadly, only in pockets which lack coherence and suffer for the lack of genuine, constructive debate and challenge.

Whatever the Shareholders Association's view of NZX's strategy or structure, there can be no doubt as to NZX's commitment to New Zealand, to best outcomes for New Zealand, and to the importance of having our own vibrant capital market.

As always, we are happy to be available to address the Shareholders Association's concerns in both private and public forums as appropriate - but not when they are conveyed the manner described above. We also request that you make this letter available to Shareholders Association membership.

Yours sincerely



Andrew Harmos
Chair, NZX Limited