

MEDIA STATEMENT**28 July 2015****NZ Institutional Investors establish 'Corporate Governance Forum', release best practice guidelines for NZ Listed Companies**

A group of leading New Zealand institutional investors has established a forum seeking to improve corporate governance in New Zealand companies.

"Best practice corporate governance is key to individual company performance and essential to the long-term health of New Zealand's capital markets," says Corporate Governance Forum Chair, Anne-Maree O'Connor. "As institutional investors with significant long-term exposures to the New Zealand market, we have a strong interest in ensuring corporate governance practice in New Zealand is equal with the best in the world."

Forum members include ACC, ANZ Investments, Devon Funds Management, Forté Funds Management, Government Superannuation Fund, Harbour Asset Management, National Provident Fund, New Zealand Superannuation Fund, Milford Asset Management and Mint Asset Management. Collectively these institutions manage New Zealand equities worth around NZ\$10 billion, more than 15% of the total New Zealand equity market.

The Forum has today released a set of Corporate Governance Guidelines, based on global best practice, to promote good corporate governance practice in the New Zealand market.

"The Guidelines explain what institutional investors are looking for in the companies they own," says Ms O'Connor. "Building on the Financial Markets Authority's Guidelines, they promote global best practice in areas particularly pertinent to listed companies and shareholders, such as shareholder relations, director nominations and disclosure."

The Guidelines were developed following a review of national and international principles and frameworks, including from the International Corporate Governance Network, the UK Combined Code and the Australian Council for Superannuation Investors.

Corporate Governance Forum Steering Group Member Paul Glass says the Guidelines provide a useful starting point for investor engagements with listed companies. "The Forum members have strong relationships with company Boards and will be using these Guidelines as a basis for dialogue on corporate governance matters."

Financial Markets Authority Chief Executive Rob Everett said: "The FMA supports this initiative, that encourages discussion and engagement between significant elements of NZ's financial markets and is focused on improving corporate governance."

NZX Chief Executive Tim Bennett said: "The Forum and Guidelines will be helpful in providing clarity and a consistent voice from institutional shareholders about their expectations of listed companies."

Simon Arcus, Chief Executive of the Institute of Directors, said: "The Institute of Directors is supportive of any measures to improve corporate governance in New Zealand. It is really encouraging to see institutional investors taking public, a robust position on governance."

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Corporate Governance Forum scope:

- Review and support corporate governance principles and codes of good practice in the New Zealand market with a focus on the mid-to-long term.
- Identify and share resources such as research, literature, empirical evidence and case studies to raise the level of awareness on corporate governance.
- Engage with public policy makers and regulators to promote or improve policy, rules and guidelines on corporate governance.
- Engage with other experts or stakeholders.
- Discuss case studies of exemplary, or deficient, governance standards.
- Following a wide consultation last year, including with company directors, the main areas for focus are:
 - promoting high quality boards, in particular through a focus on board composition including skills, diversity and independence;
 - reporting and disclosure, in particular through better disclosure on strategy, risks and conflicts and through fair and accurate communication of financial performance;
 - structure and disclosure of executive remuneration (to align with the company's short and long-term strategic objectives)
 - guidelines and rules issued by regulatory bodies.

Key points of interest from the Corporate Governance Guidelines:

- Best practice is for Boards of listed companies to be comprised of a majority of independent non-executive directors.
- Directors serving longer than nine years should be subject to annual re-election in order to improve independence, succession planning and Board renewal.
- Companies should communicate their processes for ensuring an appropriate mix of skills and diversity on the Board.
- Whilst shareholders want Boards to have the flexibility to raise capital efficiently, companies should not be able to materially dilute shareholders without their approval and the current level in NZ is too high.
- Institutional investors want better disclosure across a range of issues which are material to the long-term success of a company. These include strategy, risks, key performance indicators, remuneration policy and environmental and social issues.
- The current use of a 'show of hands' at NZ company AGMs undermines the principle of one share: one vote in the NZ market.

The Terms of Reference for the Forum and the NZ Corporate Governance Forum Guidelines are available at www.nzcqf.org.nz.

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