

NZX Second Round Submission

Listing Rules Review

Harbour Asset Management Limited

The following contains the response from Harbour Asset Management Equities on the NZX Listing Rules Review Second Round Market Consultation:

We thank the NZX for the opportunity to submit on the Listing Rules Review Consultation. We are encouraged by the positive outcomes from the consultation thus far, particularly **the proposed capital raising threshold, simplified market structure and additions to the NZX Code such as the majority independence and voting by poll recommendations.**

In terms of feedback sought in this second round of consultation, our view is broadly supportive of those of the NZ Corporate Governance Forum. This cover letter is intended to emphasise areas of our particular concern and where our views may differ from the Forum.

Continuous Disclosure: We agree with the proposal to introduce the concept of including constructive knowledge regarding the continuous disclosure requirement.

We also believe that the onus to investigate breaches of continuous disclosure should be shifted to the FMA instead of the NZX as it more appropriately suits their role as regulator. The NZX and FMA should work closely to ensure listed issuers are fulfilling their obligations for disclosure in order to improve transparency in the market and prevent sudden lapses in governance occurring.

Major transactions: We disagree with the current threshold and the notion that reducing the threshold will capture too many routine business transactions. The 50% of average market capitalisation is a substantial hurdle and shareholders would likely want an input on large transactions that would inevitably impact the company with a transaction value just short of the hurdle. We do appreciate the amendment to add a qualitative criterion that requires shareholder approval if the transaction changes the nature of the business however this does create ambiguity when applying the rule. We therefore support the originally proposed threshold reduction to 25% of average market capitalisation.

Director residence: We are concerned with both the reduction in the minimum resident directors from two to one and also the laxing of criteria to include Australians as resident directors. This lowers the accessibility that shareholders will have when engaging a company and makes it more difficult to hold the board accountable over any contentious issues. We recommend that the current minimum number of NZ resident directors is maintained.

Reporting: We think that it is still important for company management to provide half yearly reports to the market and provide further commentary and context around the financial statements. Other investor relations aspects such as earnings calls and market updates should also be maintained for shareholder transparency.

One share one vote: We believe that it is important for shareholder rights to enforce voting by poll rather than allowing voting by a show of hands at company AGMs. This is particularly relevant for contentious issues such as executive remuneration and major transactions which can materially impact the company. Voting power should be representative of the proportional shareholder ownership of a company and not simply availability on AGM day. Electronic voting instructions should be accepted at all shareholder meetings to ensure shareholders are able to exercise their voting power especially when considerable time and resources are expended in coming to the voting conclusions.

For all other questions in the second round review, please refer to the NZ Corporate Governance Forum submission.

Andrew Bascand, Managing Director

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Kevin Bennett, Head of Research

A handwritten signature in black ink, appearing to be 'KB', with a long horizontal flourish extending to the right.

Jorge Waayman, Investment Analyst

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