

# Feedback form

Feedback: FMA Corporate Governance handbook	
Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at <a href="mailto:consultation@fma.govt.nz">consultation@fma.govt.nz</a> with 'Feedback: FMA Corporate Governance handbook' and your entity name in the subject line. Thank you. <b>Submissions close on Friday, 8 December 2017.</b>	
Date: 5 <sup>th</sup> December 2017 <span style="float: right;">Number of pages: 3</span>	
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Question number:	Response
<i>You don't need to quote from the consultation document if you note the paragraph or question number.</i>	
Q1	<p><i>We believe Principle 8 should be rewritten so the Principle expressly covers shareholder rights. The NZX Corporate Governance Code includes a statement about respect for shareholder rights (as does the OECD Corporate Governance Principles). Shareholder rights should be fundamental to the good governance of companies, whether listed or private.</i></p> <p><i>It is somewhat difficult to bundle stakeholders and shareholders together. Boards should however have in place good stakeholder management practices as this protects the long-term value of the business and is part of a good Code of Ethics.</i></p> <p><i>The future challenges facing boards and companies in the management of stakeholders, including social media, customer and employee privacy, and supply chains, and the impact this has on the company's consumer, regulatory and employer profile, could mean stakeholder management is deserving of its own principle.</i></p>
Q2	<p><i>We have recommended in our submission to the NZX Review of its listing Rules that NZX conducts detailed analysis of the barriers and solutions to small and medium sized enterprises listing on the NZX and clearly relate these to any proposed Listing Rule changes. The FMA should contribute to this work. There are a number of reasons why companies do not choose to IPO – including low</i></p>

	<p><i>liquidity in the NZ market, overseas trade buyers, cost of listing including such things as verifying forecasts in IPO documents, legal and broker fees. Given a number of companies have had a persistent fall in share price after their IPO, a focus on key causes and solutions is important for maintaining confidence amongst investors and companies seeking to list.</i></p> <p><i>Raising capital in the Private Market also requires good governance practices and the FMA, the IOD and private equity managers can play an important role in advising company founders, executives and boards.</i></p>
Q3	<p><i>No substantive comments. The Handbook is a useful structure for its purpose as a voluntary guide with supporting information.</i></p>
Q4	<p><i>More guidance could be provided on the Board's role in guiding the organisation's strategy and its oversight of strategic goals.</i></p> <p><i>The Board should guide the strategy and ensure this is presented clearly to the Shareholders, Board, Management and employees. The Board should be aware of the risks to achieving that strategy, and incentives should be set to appropriately reward employees for achieving strategic goals. Shareholders should approve the strategy, which should also set out dividend policy, re-investment, capex and capital raising. The Board should understand the core assumptions made in the financial accounts and forecasts.</i></p> <p><i>Boards should ensure that changes in the way financial data is presented are made with the agreement of, or properly communicated to, their shareholders. The previous year's financial numbers should be reworked so they are comparable over time.</i></p>
Q5	<p><i>The inclusion of ESG reporting in recommendations is consistent with best practice. Perhaps the statement "over and above their commercial and economic objectives entities are encouraged to disclose ...ESG " is a bit ambiguous as later it is then acknowledged that ESG factors are relevant to business risks and costs, that is, can be commercial.</i></p> <p><i>Strengthening the section on auditors and relationships with auditors is good to see. The rotation of the audit firm itself should be discussed by the Board when the audit firm has had a long tenure. Sometimes the competitiveness this introduces to fees can offset the disruption as well as ensuring independence and a new audit "lens".</i></p>
Q6	<p><i>We do not believe there are additional cost implications to adopting the revised guidelines. Over the long term, evidence supports good governance correlating well with additional value for the company including lower cost of capital and better financial results.</i></p>

**Feedback summary** – *if you wish to highlight anything in particular*

**Please note:** Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

**Thank you for your feedback – we appreciate your time and input.**