NZSUPERFUND
Te Kaitiaki Tahua Penihana Kaumātua o Aotearoa

17 July 2026

Kristin Brandon
Head of Policy and Regulatory Affairs
NZX Limited

Tēnā koe Kristin and team,

NZX Dual Class Share Submission July 2026 - NZSF

Thank you for the opportunity to provide feedback on NZX's consultation on its proposal to accommodate issuers with Dual Class Share (**DCS**) structures within the NZX Listing Rules and NZX Corporate Governance Code.

The Guardians of New Zealand Superannuation (**Guardians**) is a significant investor in New Zealand's listed capital markets. We manage the New Zealand Superannuation Fund (**Fund**), which has more than $4 billion currently invested across New Zealand listed equities and bonds. The Fund also has a 5% allocation to New Zealand listed equities in its Reference Portfolio, a key performance benchmark. This means we have a strong interest in the long-term health, integrity and attractiveness of these markets.

As long-term institutional investors, we place significant importance on market settings that protect shareholder rights, support effective accountability, and promote confidence among both domestic and international investors. In particular, under the statutory requirements of the New Zealand Superannuation and Retirement Income Act, we have policies, standards and procedures for the retention and exercise of our voting rights. Our broad principles are set out in our Global Voting Policy & Guidelines, reflecting those of the New Zealand Corporate Governance Forum (**NZCGF**) and NZX Corporate Governance Code (as currently formulated). As founding members of the NZCGF we support the Forum's guidelines, which form the basis for our voting policy in NZ markets.

Voting rights are important for maintaining shareholder oversight of directors, boards and company policies. We support one share:one vote as a fundamental shareholder right, where economic exposure equals ownership exposure.

Equal voting rights are widely supported by institutional investors and can influence the level of risk and attractiveness of markets as a whole.

Based on the information currently available, we strongly object to the proposal to introduce DCS issuers to the New Zealand market.

Firstly, we refer you to the NZCGF submission on this matter, which we endorse. This submission can be found at **Appendix 1**.

Secondly, in this letter we provide additional feedback on the market and shareholder risk from NZX's DCS proposal as currently framed. **In particular, if they go ahead at all, DCS structures should have a time-based sunset provision.**

Our Feedback

Long-term investors have raised four primary concerns about DCS structures. The Investor Coalition on Equal Votes (ICEV) summarises these in its 2023 report *Undermining the Shareholder Voice: The Rise and Risks of Unequal Voting Rights* as:

a) Dual-class share structures undermine shareholder rights and remove a key accountability mechanism for poorly performing management.

b) The entrenchment enabled by dual-class structures can hinder long-term financial performance.

c) Wider market opposition to dual-class share structures can undermine the relationship between companies and their investors.

d) Dual-class share structures can undermine the effective functioning of capital markets.

Strong capital markets require both companies seeking capital and investors willing to provide it. International institutional investors generally favour proportional voting structures and frequently regard DCS as increasing governance risk. The impact of DCS structures on investor confidence and allocation decisions should therefore form part of NZX's assessment.

Furthermore, while we share NZX's objective of improving the attractiveness of New Zealand's capital markets, the evidence available internationally does not establish a clear relationship between permitting DCS structures and increased IPO activity. Research and investor experience suggest that listing decisions are more commonly driven by factors such as market liquidity, analyst coverage, company valuations and access to pools of capital than by voting-right structures. As it stands, given the adverse impact on shareholder rights, there is no established case for introducing DCS structures.

We appreciate that your proposal includes a range of shareholder protections including the preservation of one:one voting on certain significant decisions, a cap on the ratio of shares (albeit we consider a 10:1 to be high), and certain director independence requirements.

If NZX proceeds with DCS structures against our advice, we list below, in order of priority, further important controls that we recommend are implemented.

Recommended Controls, in priority order:

1. **Sunset:** DCS structure should be subject to a time-based sunset, with a recommended maximum seven years. At the time, the ordinary shareholders can vote to retain the structure.

2. **Superior voting class defined:** The members of the Permitted Superior Shareholder Group (PSSG) should be defined explicitly in the Listing Rules so that there is appropriate discipline around the scope of the class. These should be confined to "founders, key executives or directors actively involved in management".

3. **Trading DCS:** DCS structures must collapse back to one:one if traded outside the PSSG.

4. **Related party transactions:** The approval of related party transactions should also be on a one share:one vote voting basis, noting that DCS structures amplify the risks that related party transactions are intended to address.

These controls are described in further detail in the NZCGF submission. We also support the governance enhancements proposed by the NZCGF regarding board independence and independent oversight arrangements.

In our view, without additional controls, the DCS proposal as currently framed creates the following risks:

I. **Sunset:** No time-based sunset for DCS structures means that, if adopted, the New Zealand market will become bifurcated between companies where the PSSG has outsized influence through DCS and companies where shareholders (primarily institutional and retail) have equal voting rights.

II. **Dual-Listed:** DCS structures increase the governance risk for investors in the NZ market, including for Dual-List NZX-ASX companies, with potential for growing demand from shareholders that these companies comply with the stronger ASX requirements.

III. **Major and related party transactions:** Shareholder approval of major and related party transactions would in many instances be controlled by the PSSG as a growing feature in the market, reducing accountability and increasing the risk of ineffective management of conflict transactions.

IV. **Superior Shareholders**: The proposal to allow corporate entities within the PSSG makes ensuring preferred voting interests remains within the intended categories challenging to implement and monitor. As noted above, the NZX does not provide a description of the criteria it would approve for persons forming the PSSG. Whilst it states it *expects* these to be "founders, key executives or directors actively involved in management" it should define these criteria explicitly under the Listing Rules.

V. **AGMs and ASMs:** AGMs and ASMs can be called, agendas set and voting items (without one share:one vote requirements) passed by PSSG members on certain issues without any real influence by the *majority* of the shareholder base. Moreover, the distorted voting outcomes may obscure the level of shareholder support for different proposals.

Summary

We are not persuaded that permitting dual class share structures would materially improve the competitiveness of New Zealand's listing market. In our view, weakening the principle of proportional voting rights risks reducing investor confidence without any clear evidence that it would generate meaningful additional listing activity.

In the absence of such evidence, we believe DCS structures should not proceed. If they are implemented, we ask the NZX to implement the further important safeguards identified above, most critically the mandatory time-based sunset provision.

We are happy to meet in person to discuss this matter further.

Kind regards

Will Goodwin

Co-Chief Investment Officer

Appendix 1

New Zealand Corporate Governance Forum submission on DCS structures

NZ
CORPORATE GOVERNANCE
FORUM

Kristin Brandon
Head of Policy and Regulatory Affairs
NZX Limited

17 July 2026

RE: Feedback on the draft Dual Class Shares consultation paper

Dear Kristin,

In this letter the New Zealand Corporate Governance Forum ("NZCGF" or "the Forum") will provide feedback to you on the Dual Class Shares ("DCS") consultation.

The NZCGF is committed to promoting good corporate governance of New Zealand companies for the long-term health of the capital market. We welcome the NZX's strategy of broadening the range of investible product available on NZX's markets and consider that the NZX should continue providing greater certainty and clarity on its Regulatory Settings to all Issuers and investors. We realise that the NZX faces international competition for listings and growing New Zealand's capital markets is to the benefit of the NZCGF's members and New Zealand more generally.

As noted in the consultation paper, DCS structures "arise where a company issues two classes of shares with different voting rights: superior shares, which confer multiple votes per share on their shareholders who are normally founders; and ordinary shares, carrying normal 1:1 voting rights held by the public."[1]

In summary, the Forum***:***

- *i.* ***Considers that structures where voting rights are not aligned with economic rights to be out of step with recognised good governance principles and to significantly amplify risk of conflicts;***
- *ii.* ***Has significant concerns regarding the decision not to include sunset provisions within the consultation;***
- *iii.* ***Notes that some members would be supportive of DCS structures should these increase listings on the NZX but are concerned that the DCS proposal presented is not the best structure to achieve this aim.***

There is general agreement among the Forum's members that ***there is currently a lack of evidence that introducing DCS structures will result in increased listings on the NZX and there is insufficient consideration in the policy documents of potential negative market perception risks associated with the proposal.***

The NZCGF is concerned that DCS structures undermine a bedrock principle of good corporate governance: that voting power should broadly track economic ownership. Where some shareholders are given voting rights disproportionate to their capital at risk, control can become separated from exposure to the financial consequences of decisions. This weakens board and management accountability, gives founders or insiders control beyond their economic stake, and can leave minority shareholders with more limited ability to influence remuneration, strategy, capital allocation or other matters central to long-term value creation.

[1] NZX, *Dual Class Shares – Consultation Paper* (May 2026), p. 4

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Investor bodies and stewardship research have consistently identified DCS structures as creating risks of founder entrenchment, agency costs, weaker shareholder rights and distorted proxy voting outcomes. They can mask the true level of independent shareholder concern on executive pay, governance and material ESG issues, and may reduce the effectiveness of stewardship as an accountability mechanism.

While DCS structures are sometimes seen to be justified as supporting founder vision or long-term strategy, the evidence cited by investor groups suggests any benefits are uncertain and may be short-lived, while the governance costs are real and can persist. For these reasons, any proposal to permit DCS structures should be approached with caution and be subject to strong safeguards, including time-based sunset provisions, clear voting ratio limits, enhanced disclosure, and robust minority shareholder protections.

As noted above, given the significant downsides to DCS structures, we would have liked to have seen clear a cogent case that permitting DCS structures would result in listings which would otherwise not occur. This lack of this has diluted enthusiasm within the NZCGF for the proposal.

If NZX nevertheless proceeds with enabling DCS structures it is critical that these structures are subject to appropriate controls which minimise the risks and adverse governance impacts. We acknowledge that NZX has proactively included controls in the proposed consultation materials. Specifically, we have a deep-rooted conviction that DCS structures should only be available for new listings.

Further, we consider the controls should be strengthened to address essential shareholder protections. Specifically:

1. We consider that the Chair and majority of directors on the Board of a DCS Issuer should be required to be independent as a Listing Rule requirement.
2. Director independence classification should be voted on by all shareholders on a 1 vote: 1 share basis.
3. The NZCGF maintains that DCS structures should be subject to sunset provisions. We would have liked the consultation to have considered this protection more deeply.

We support the one share-one vote for directors implicit in the proposal. Additionally, the Forum has in the past submitted that there should be additional controls in respect of director independence and board governance in situations where issuers have a dominant or controlling shareholder that can in effect appoint the majority of directors.

We see a strong a parallel between DCS structures and controlling shareholder issuers. NZX has historically been resistant to including protections where issuers have a dominant or controlling shareholder. We suggest there is a policy inconsistency in between the proposal and the current settings as they apply to minority shareholders. We repeat our earlier submissions that NZX should address this issue.

The NZCGF's response to the questions in the DCS consultation paper follow overleaf.

Eligibility

1. **Do you agree that DCS structures should only be available for new Listings? If NZX were to enable Issuers to become DCS Issuers, what additional requirements should apply over and above the existing protections in the Rules (e.g. the related party and major transaction requirements)?**

In the NZCGF's view the NZX has not made the case for DCS structures. However, if they are made available, the NZCGF has a deep-rooted conviction that DCS structures should only be available for new listings. Existing Issuers should not be able to convert into a DCS structure under any conditions.

2. **Do you agree that NZX should require holders of Superior Shares to have a minimum 10% interest in a DCS Issuer at the time of its Quotation?**

Yes, this seems appropriate for an absolute minimum although we would like to understand NZX's rationale for proposing this figure. Some members of the Forum believe that the minimum interest should be higher.

3. **Are there any specific factors that should be considered by a DCS Issuer when determining its 'anticipated market capitalisation', that NZX could usefully refer to in guidance for the purpose of supporting an applicant in assessing its 'anticipated market capitalisation'?**

An estimate of the market cap could be obtained from the issuer or promoter. NZX's suggested guidance doesn't help in our view.

4. **Do you consider that NZX should impose spread requirements on non-Quoted Superior Shares?**

No, provided that the ownership of the superior shares is robustly disclosed to ordinary shareholders. A spread requirement for non-quoted superior shares would be conceptually odd if superior rights are intended to be personal to founders/key persons.

Superior Shares

5. **Are there any additional matters in respect of which holders of Superior Shares should vote on a 1 vote: 1 share basis, or any matters that should be removed from Rule 2.16.1(h)?**

The Forum believes that 1 vote :1 share voting should apply for:

- matters that directly affect the DCS structure itself, including amendments to the rights attaching to superior shares, changes to sunset or conversion provisions, material transactions that change control dynamics, and any proposal that would reduce or waive DCS-specific shareholder protections;
- approval of Material Transactions with related parties, and;
- director independence classifications. (The quality of board governance will be materially enhanced if director independence is determined by shareholders).

As regards any vote under the proposed Rule 2.16 to preserve the DCS structure where there is a breach, the Forum considers that the Disqualified Persons under Listing Rule 6.3 should include any person who is a holder of Superior Shares and their Associated Persons, given they have a clear conflict on the matter.

A vote on a 1 vote: 1 share basis may be appropriate for amendments to the criteria for the Permitted Superior Holder Group which the DCS issuer specified at its time of quotation. It may be problematic that such criteria can never be changed, even with the support of ordinary shareholders.

6. Do you consider the proposed anti-dilution protections to be appropriate?

We would like to see more information. While the Forum is supportive of a voting ratio cap and constraints on increasing the proportion of superior shares to ordinary shares from the ratio applying at the quotation date, we would like NZX to provide support for the 10:1 ratio cap. We note that a voting cap of 10:1 allows superior shareholders to enjoy voting control at an economic interest of just over 9%. We query whether a lower cap would be appropriate to reduce the misalignment between influence and economic exposure.

7. Is it appropriate to restrict the acquisition or redemption of Superior Shares so that a DCS Issuer may not acquire or redeem Superior Shares where that acquisition or redemption would proportionately increase the Superior Shareholding from that which existed at the date of Quotation, as a result of an acquisition or redemption? Should similar restrictions be applied in relation to capital raising or transfers of Superior Shares?

Issuer's repurchase of superior shares should be subject to providing an independent report and shareholder approval on a 1:1 vote basis. If redemption means swapping superior shares for ordinary shares, any premium relative to the ordinary share price should be equivalently supported.

8. Are there any additional matters that should trigger the dissolution of the DCS Issuer? Do you consider that the current trigger events are appropriate?

The NZCGF maintains that DCS structures should be subject to time-based sunset provisions. Some members support a mandatory sunset while others support a sunset unless continuation of the DCS is approved by a vote by only ordinary shareholders (i.e. with no superior shareholders voting). *This is a critical safeguard and strongly endorsed as essential by various international investor groups.* A time-based sunset provision also reflects that any perceived need for enhanced founder influence diminishes over time. Some members have proposed a 7-year sunset provision.

We also suggest that the DCS structure should dissolve if director independence requirements are not met generally (i.e. not just the special director requirements for DCS Issuers). Ordinary shareholders are dependent on independent directors effectively managing the potential conflicts inherent in the DCS Structure.

We consider the absence of an analysis of sunset provisions, including their adoption in other markets and the decision to not include them in the proposal, to be problematic and this diminishes our support of the proposal

Given the superior shares are granted to founders and associated parties, the enhanced voting rights should also lapse where the Superior Shareholder ceases to have the necessary involvement for any reason.

Governance

9. **NZX is proposing to retain the current board composition requirements relating to Director independence, and to include requirements for the appointment of 'representative' Directors appointed by each Class of shareholders. Do you consider that any changes should be made to the Director independence settings for DCS Issuers?**

As discussed previously, director independence classification should be voted on by all shareholders, i.e. require a vote on a 1 vote: 1 share basis. This would improve the quality of board governance by settling all direction independence classification issues by shareholder poll.

As per our previous submissions, the current settings where director Independence is classified by the board without any effective ability of shareholders to challenge the classification does not provide adequate protections.

10. **NZX considers that it remains appropriate for Code Recommendation 2.8 that recommends an Issuer's board is comprised of a majority of Independent Directors to apply to DCS Issuers. Do you consider any amendments are needed to this recommendation for DCS Issuers?**

Given the significant risks of DCS Structures, the Forum supports elevating the current Code Rec 2.8 to a Listing Rule requirement. Equivalently we support elevating Code Rec 2.9 (Independent chair) to the Listing Rules.

11. **Do you consider it appropriate for NZX to require a DCS Issuer to maintain a bespoke DCS Governance Committee?**

Yes, a requirement for a Board of a DCS Issuer to have a DCS Governance Committee for the monitoring of conflicts between Permitted Superior Holder Group and ordinary shareholders and other specialist issues pertaining to the DCS structure seems appropriate. The Listing Rules should mandate both the existence of the committee and that the chair be an independent director and that the committee has a majority of independent directors.

12. **Do you consider that proposed Board Committee composition requirements to be appropriate? Are these settings likely to cause any practical difficulties for DCS Issuers?**

The NZCGF supports that the Audit Committee, and where applicable its Nomination and Remuneration Committees be comprised of a majority of independent directors which are chaired by an independent director. In addition, as per Q10, the Forum considers that the chair of the Board of a DCS Issuer should be independent.

Disclosure

13. **Do you consider that any amendments are required to the prescribed form of the template warning statement?**

The definition of the abbreviation for "Dual Class Share" (DCS) should be included. Also, the statement should be made stronger: "This structure ***will*** limit the ability of Ordinary Shareholders to influence the governance and strategic direction of the Issuer."

14. Is there any additional specific information that NZX should require to be included in a DCS Issuer's Offer Document or Profile?

A non-exclusive list of voting subjects over which superior shareholders will be able to exercise their superior votes. Similarly, a non-exclusive list of voting subjects which will be voted on a 1 share: 1 vote basis.

15. Are there any other matters in respect of which NZX should provide guidance relating to the application of the continuous disclosure regime?

Nothing additional.

16. Are there any practical issues for a DCS Issuer being required to notify substantial product holding information for non-Quoted Superior Shares based on the holdings it has recorded on its share register?

Leave to the issuers to comment.

Capital Raising

17. Do you consider that NZX should enable a DCS Issuer to issue Superior Shares without shareholder approval in any additional circumstances?

No. Shareholder approval through a shareholder poll on a 1 share:1 vote basis should be required for the issuance of superior shares. The only exception for some members is a "vanilla" (i.e. allowing rights trading or AREO settling) pro-rata offering.

18. Are there any additional requirements that NZX should impose in relation to capital raising activities of a DCS Issuer to protect the rights of Ordinary Shareholders?

The practical implications of the Permitted Superior Holder Group and NZX's role in approving and monitoring the members of that group are hard to understand. Under what conditions would NZX move to dissolve the DCS structure.

We wonder if the concept of Permitted Superior Holder Group is overly broad (particularly given NZX's intent to allow non-natural person holders), with the potential that superior shares may initially or over time be held beyond the founder / key person. Corporate vehicles should be directly connected to key-persons and its entitlement to hold Superior Shares should dissolve if the person ceases active involvement.

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Kristin, the NZCGF welcomes the NZX's strategy of broadening the range of investible product available on NZX's markets. Members of the NZCGF have different views on the proposal and may present them individually.

There is a strong view that the proposal will have a cost – Issuers which would otherwise have listed ordinary shares may select a DCS structure – which will reduce the rights, and we believe the financial interests, of our members and their investors.

On the risk side, the proposal includes many risk control measures which we strongly support – the application to only new listings, and the 1 share: 1 vote requirement for director elections. However, the Forum would like to see more attention paid to the inclusion of sunset provisions, and a strengthening of the definition of director independence.

Further support of the benefits of the proposal, specifically support for your argument that that facilitating DCS structures would result in new listings which would otherwise not occur, would be welcomed by the Forum.

Please feel free to contact me at sporath@nzcgf.org.nz (or sam.porath@acc.co.nz) or on mobile +64 21 739 215 should you wish to discuss further.

Kind regards,

Sam Porath
Chair
NZ Corporate Governance Forum