15 JUN 2018

Tony Carter
Chair
Air New Zealand

Dame Jenny Shipley
Chair
Genesis Energy

Joan Withers
Chair
Mercury NZ

Chris Moller
Chair
Meridian Energy

By email

Dear Chairs

I am writing to you regarding shareholding Ministers’ approach as majority shareholder of your companies.

As you know, the Treasury wrote to you in October 2014 on this subject. The commitments made in this letter still stand. In particular:

• shareholding Ministers expect the companies to continue to make commercial decisions, while of course taking into account the full impact of those decisions
• we confirm that the boards and management, not shareholders, are responsible for decision making by the companies
• the boards will continue to be responsible for searching for and proposing candidates for election as directors by shareholders, and for deciding when existing directors should retire
• shareholding Ministers will not, in normal circumstances, put forward candidates for election as directors
• shareholding Ministers will, again in normal circumstances, expect to support the board’s candidates for election and re-election as directors

The Government of course retains the right to make regulatory or policy decisions which may impact on the companies. Shareholding Ministers also retain the right to make public comments on matters relating to the companies or their performance.
These commitments regarding board appointments hold for as long as Ministers continue to be comfortable (as we are now) that the company is performing well, the board has the appropriate mix of skills and experience, the candidates proposed by the board are appropriate, and that the proposed candidates have no unmanageable conflicts of interest.

However, shareholding Ministers continue to reserve the right to nominate and vote for their own candidates, to vote against board-nominated candidates, or to vote for candidates nominated by other shareholders if they feel that any of these steps are appropriate. We expect this to happen very rarely (and note that it has not happened to date) and that it would be a step only taken towards the end of a process of escalating concerns with the board regarding the company's performance or board composition, where shareholding Ministers were not satisfied that those concerns were being addressed.

There is one further caveat to the commitments above. Shareholding Ministers' view is that the Chairs of the companies should normally serve, as Chairs, for a maximum of 9 years. Shareholding Ministers are unlikely to support the re-election of a Chair beyond this period, unless there were exceptional circumstances.

We would also expect directors to serve for around 9 years, although there will more often be circumstances where, for reasons of continuity or because a particular director has specific skills or experience, an individual director may serve for longer than this. For the avoidance of doubt, while we note that it would be common for a director to serve for a period of time before being elevated to Chair, we do not expect that an individual would serve for a lengthy period as a director and then another 9 years as Chair.

Finally, I note that the constitutions of your companies provide that the Minister of Finance must approve the board's choice of its Chair. Given the importance of the Chair, I strongly encourage you to consult with me on this, well in advance of the transition to a new Chair.

More broadly, I think it would be helpful if we met on a regular basis — say once or twice a year — to discuss matters regarding your companies. I have already communicated with most of you this year, and I look forward to further discussions in the near future. My office will be in touch to arrange times for us to meet.

Yours sincerely

[Signature]

Hon Grant Robertson
Minister of Finance